

# ECONOMIC INJURY DISASTER LOAN & EMERGENCY ADVANCE



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The Coronavirus Aid, Relief, and Economic Security (CARES) Act established or expanded several loan programs to assist small businesses, including physician practices, that have been severely impacted by the COVID-19 emergency. The Economic Injury Disaster Loan (EIDL) and the corresponding EIDL Emergency Advance can be used to assist practices with payroll expenses, accounts payable, and other operating expenses that could have been met had the disaster not occurred.

## Here's what you need to know:

### ECONOMIC INJURY DISASTER LOAN (EIDL)

#### Eligibility & Use:

- Physician practices with 500 or fewer employees are eligible to apply for an EIDL loan.
- Applicant must have suffered economic loss due to the COVID-19 emergency.
- Loans can be used to provide paid sick leave to employees, maintain payroll, accounts payable, pay rent or mortgage payments and other bills that cannot be paid because of lost revenue. Loan funds cannot be used to pay down existing long-term debt.

#### Loan Amount, Interest Rate & Terms:

- Maximum loan amount is \$2 million; however, the actual amount approved will be based on the applicant's actual economic injury as determined by the Small Business Administration (SBA).
- Interest rate is 3.75% for businesses.
- Term of the loan is determined based on the applicant's ability to repay with a maximum term of 30 years.
- Principal and interest payments are deferred for at least one year and up to four years from the date of the loan; however, the interest is accrued during the deferment period. Installment payments will be determined on an individual basis.
- Loans of \$25,000 or less require no collateral. For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate (though it is likely SBA will not reject loans for a lack of collateral).
- Personal guarantees are waived for loans up to \$200,000 through December 31, 2020.
- An EIDL loan is a non-forgivable loan unless refinanced under the Paycheck Protection Program.

### EMERGENCY ADVANCE

- Physicians who apply for an EIDL loan can request an emergency advance of up to \$10,000 to provide immediate relief for temporary loss of revenue. Actual advance amounts may vary and will be determined on a case by case basis.

- Physicians must first apply for an EIDL loan to access the advance. Advance funds will be available within days of a successful EIDL application.
- The emergency advance is a grant that does not have to be repaid even if the physician is ultimately denied the EIDL loan.
- Emergency advance grants are available until December 31, 2020, and are backdated to January 31, 2020, to allow those who have already applied for an EIDL loan to also receive a grant.

## ADDITIONAL INFORMATION:

- Physician practices can apply for an EIDL loan by completing the SBA's [Covid-19 Economic Injury Disaster Loan Application](#).
- Physicians can apply for both an EIDL and a Paycheck Protection Program (PPP) loan, but they cannot be used to cover the same expenses.
- Any advance amount received under the emergency EIDL will be subtracted from the amount forgiven in the PPP loan.
- Physicians should consult with their lender before applying for an EIDL and/or PPP loan.

## RESOURCES:

- [Coronavirus \(COVID-19\): Small Business Guidance & Loan Resources](#)
- [CARES Act: Loans & Other Financial Assistance for Physicians](#)
- [Small Businesses Can Take Advantage of the SBA COVID-19 Economic Injury Disaster Loans](#)

**Sources:** *Stites & Harbison Client Alert, April 3, 2020*  
*The American Medical Association*  
*U.S. Senate Committee on Small Business & Entrepreneurship*