

Economic Injury Disaster Loan (EIDL)

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DESIGNED AND DEVELOPED BY
CIVITAS STRATEGIES EARLY START

www.csearlystart.com | info@csearlystart.com

Did you receive an Economic Injury Disaster Loan? The EIDL provided much-needed support but also long-term debt for many businesses.

The federal government offered Economic Injury Disaster Loans (EIDL) to help businesses and nonprofits get back on their feet. This funding was available beginning in April 2020 until December 31, 2021. The EIDL program included supplemental payments, also known as advance payments, which do not require repayment. However, all actual loan funds, beyond the advance, *will require repayment.*

While the EIDL funds provided much-needed relief to small businesses, they do provide long-term debt. This is important to understand as many businesses are still dealing with the impacts of the pandemic on their operations and understandably, are focused on near-term survival. While planning for your day-to-day is a priority, be sure to think about a repayment plan for any debt that you assumed during the pandemic. Not having a plan could undermine all the effort you've put in thus far to sustain your operations.

What is the EIDL?

The U.S. Small Business Administration introduced the EIDL program to support financial relief efforts for businesses impacted by the pandemic. As part of this program, eligible businesses could qualify for a loan of up to \$2 million dollars, including a supplemental payment via a loan Advance up to \$10,000, or a Targeted EIDL Advance up to \$15,000. While the loans do require repayment, the supplemental payments do not. It was also possible for businesses to only apply for the supplemental payments, and not the loan. (If you have questions about your EIDL, contact the SBA: call 833-853-5638 or TTY: 855-440-4960, or email disastercustomerservice@sba.gov.)

What are the payment terms?

The EIDL offers long-term debt to businesses via a 30-year loan term at a fixed rate of 3.75% for for-profits and 2.75% for nonprofits. To further provide relief for businesses, there is a deferment period of two years before the loan must begin to be repaid. There is no forgiveness offered for EIDL debt, only

the initial payment deferment option. Remember, even though payments are initially deferred, interest continues to accrue.

Depending on the amount of your loan, you may have signed a collateral and guarantee agreement which could place your business operations and personal assets at risk if you default on your loan agreement. If your loan is more than \$25,000, a lien was placed on your business's assets. **If you are a family child care provider, your assets may include your home.** If your loan is more than \$200,000, your personal assets are at risk. In both instances, you cannot sell assets or the business without SBA approval because the SBA is a lienholder.

Tips on Paying Back EIDL Debt

While the EIDL loan program was designed to meet the needs of businesses impacted by the pandemic, it still may serve as significant debt for your business. Having repayment strategies and a plan to repay will put you in a stronger position to continue to serve children and families in your community. Here are some tips on repaying your EIDL debt:

- Include your payments in your budget and cash flow. This helps you see how those payments will impact your finances and give you an opportunity to make adjustments as needed.
- Remember — low interest doesn't mean no interest. The interest on a for-profit EIDL loan of \$25,000 over the full loan term is more than \$16,000. This figure then increases if you make no payment during the deferment period!
- Making payments during the deferment period will help reduce your overall debt by decreasing the amount that you owe, and the interest charged.
- Make additional payments when you can. Making just four extra payments a year could take eleven years off your loan term!
- Remember — there is no forgiveness for EIDL debt; however, if you received an Advance payment, that portion will not need to be repaid and will not be included in your loan amount.

Assistance is Available

If you have questions or need more counseling on your EIDL loan debt and repayment, reach out to your SBA loan officer or your local [Small Business Development Center \(SBDC\)](#). For more early care and education resources, visit [csearlystart.com](#) and the Taking Care of Business blog at [topcopelandblog.com](#).



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