Helping organizations thrive
CIVITAS STRATEGIES

National Association for Family Child Care
Economic Injury Disaster Loan Assessment

In response to the COVID-19 pandemic, the Small Business Administration issued $378 billion in Economic Injury Disaster Loans (EIDL) to millions of small businesses throughout the nation (SBA April 28, 2022). The program was heavily used by micro and small businesses – "95 percent of COVID EIDL borrowers have less than 20 employees [with] nearly one-fourth were located in LMI [low to moderate income] areas" (Presidential Administration Release March 11, 2022). Further, we suspect that many child care businesses were EIDL borrowers- a Luminary Evaluation Group evaluation in New Jersey found 32% of child care providers who responded to Luminary's survey reported receiving an EIDL.

These loans were designed to help small businesses recover from the economic damage caused by the pandemic by providing an infusion of cash. However, unlike other popular stimulus programs such as the Paycheck Protection Program, Employee Retention Tax Credit, and FFCRA Leave, the EIDL wasn't "free money" but a loan that would be paid off for decades. Due to the timing of the program, there was confusion by some providers around the nature of the loan (that it wasn't forgivable) and the terms (such as interest accruing from day one).

There is little known about the true impact this funding ultimately had on small businesses- both in helping them survive the Pandemic as well as the ongoing stress of loan payments. The National Association for Family Child Care (NAFCC), a non-profit organization dedicated to advocacy for and promotion of family child care businesses, sought to better understand the impacts of EIDL debt, specifically within the ECE community.

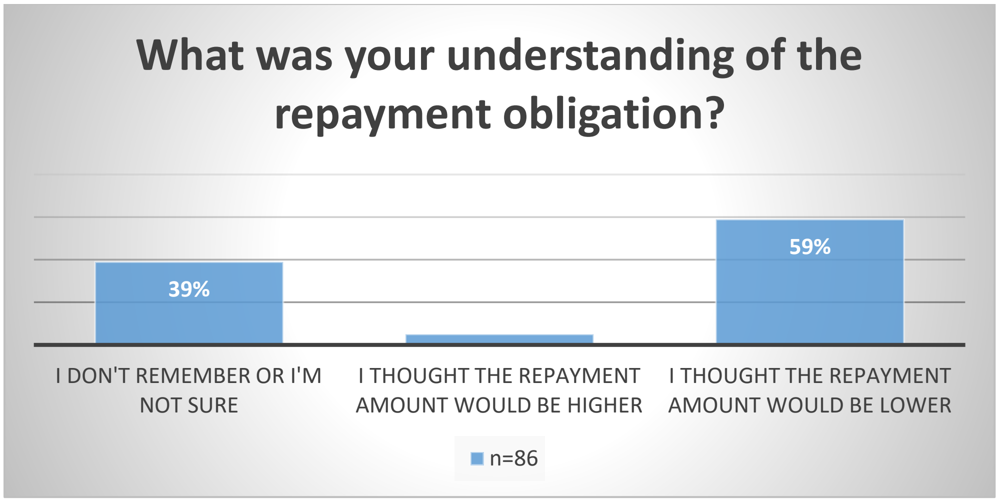
Methodology

GENERAL INFORMATION (n=516)		EIDL AMOUNT (n=88)	
Received EIDL	51%	$25,000 to $49,999	39%
Did Not Receive EIDL	49%	$50,000 to $74,999	18%
English	83%	$75,000 to $99,999	7%
Spanish	17%	$100,000+	36%

A total of 516 respondents participated in a 7-question online survey about their experience with the EIDL and sentiment on repayment. The survey was comprised primarily of multiple-choice questions with one open-response. The survey was available in both English and Spanish.

Results

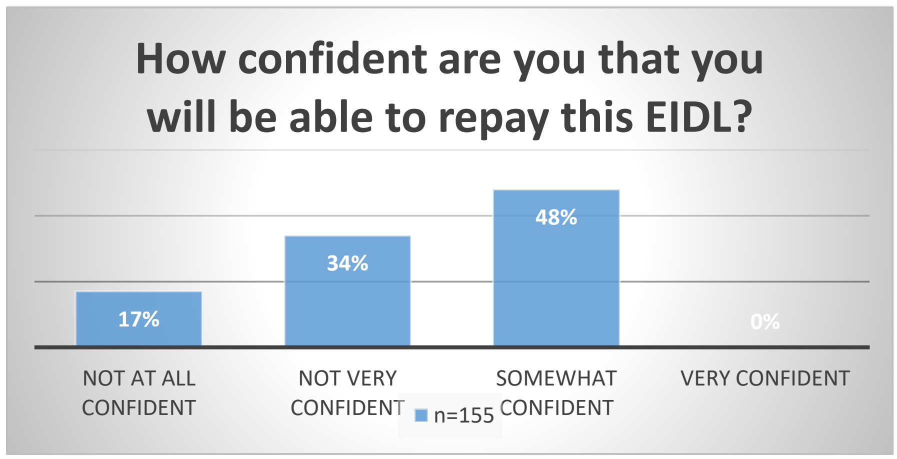
Though the EIDL did provide much-needed funding to small businesses struggling to weather the financial impacts of the COVID-19 pandemic, ultimately, many respondents reported that they were left with significant debt. Additionally, the debt often came as a surprise due to confusion between the forgivable Paycheck Protection Program (PPP) loans and the EIDL. Education continues to be needed to ensure that child care businesses understand whether or not their loan is forgivable, what the loan repayment terms are, and what repayment strategies are available to support them, if any.



59% (n=86) of respondents were expecting their repayment rate to be lower. 39% reported not being sure about or not being able to remember what their repayment obligation was.

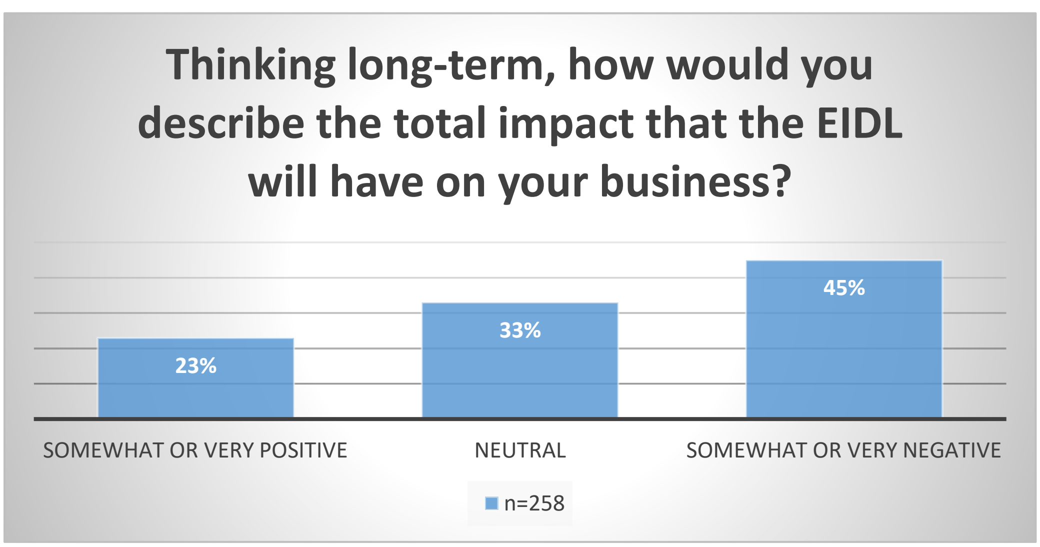
More than half of respondents (n=155) are not at all or not very confident that they will be able to repay their EIDL. 0% reported feeling very confident.

Of respondents choosing to leave comments (n=154), 24% reported being confused about the process and repayment terms, with several indicating that they did not realize what they were signing.



There is (and was) clear confusion between the Paycheck Protection Program (PPP) loan, which is forgivable, and the EIDL, which is not. Many respondents indicated that the unexpected debt has had a negative impact on their financial situation.

There continues to be a lack of clarity on repayment terms with respondents reporting differences in what they understand their loan terms to be.



The majority of respondents (n=258) reported that the EIDL ultimately will have negative impacts on their business. Only 23% felt the impact was positive.