

Small Business Administration (SBA) Provides Guidance on Agricultural Business Applications for the Economic Injury Disaster Loan (EIDL)

Economic Injury Disaster Loans

- Beginning May 4, SBA will accept new EIDL and EIDL Advance applications on a limited basis only – to provide relief to agricultural businesses.
- Application is available at www.sba.gov/disaster
- Right now, only agricultural businesses are eligible.
- For agricultural businesses that submitted an EIDL application through the portal prior to the legislation change, SBA will process those applications – you do not need to re-apply

Eligibility

- Agricultural businesses includes those businesses engage in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural related industries (section 18(b) of the Small Business Act)
- Eligible agricultural businesses with 500 or fewer employees to app

How much can you borrow?

- SBA will determine the amount based on working capital needs
- Interest rates
 - 3.75% for small businesses
 - 2.75% for nonprofit organizations
- Terms up to 30 years
- Payments deferred for 1 year

How can loans be used?

- Working capital loans
- Pay fixed debts, payroll, accounts payable, and other bills that could not have been paid had the disaster not occurred.
- Not intended to replace lost sales/profits or for expansion

What are the collateral requirements?

- EIDLs over \$25,000 require collateral, if available
- General Security Interest (UCC) in business assets used to secure loans over \$25,000
- SBA will not decline a loan due to lack of collateral

Important Information

- There is no cost to apply – beware of companies offering to help apply and gather the necessary information for a fee. This is generally not necessary.
- There is no obligation to take the loan
- Borrowers with current SBA loans, including existing SBA disaster loans, are eligible for EIDLs – however, they cannot be consolidated.

Information needed

- Self-certify that business is an agricultural enterprise with not more than 500 employees
- Business legal name, trade name, EIN or SSN for sole prop, organization type, business activity, number of employees
- For the 12-month period prior to January 31, 2020
 - Gross Revenues
 - Cost of Goods Sold
 - Cost of Operation, i.e. operating expenses
- Compensation from other sources (reduces eligible loan amount) – COVID grants, something duplicating working capital.

Advances

- Must check that you would like to be considered for Advance of up to \$10,000 (towards end of application)
- Provide bank account information where funds will be deposited
- Amount of Advance is determined by number of employees; \$1,000 per employee up to a maximum of \$10,000
- Advance does not have to be paid back, and you do not have to qualify for loan to receive Advance
- Advance will be subtracted from PPP forgiveness – if you receive an advance, you would need to repay the ppp loan in the amount of the advance.

Questions

- Can part time farmer participate? Yes.
- Do businesses without employees qualify for the advance? Yes.
- Are those with credit available elsewhere eligible? Credit available elsewhere is waived. Therefore, those with credit available elsewhere are still eligible.
- Do you need to show a profit from previous year to be eligible? No. SBA will look at credit and operating expenses.
- Are H-2a employees counted? Didn't know... cited the IRS rule regarding "principle place of residence" – they will get back to us.