



Community Associations Institute Guide to Small Business Administration Economic Injury Loans

The federal government will provide long-term, low-interest loans to community associations and small businesses experiencing a substantial economic injury as a result of the COVID-19 national emergency. The Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) is critical bridge financing to stabilize nonprofit organizations (community associations) and small businesses.

What is an EIDL?

The SBA EIDL program offers financial resources to community associations and association business partners who have experienced a substantial economic loss as a result of the COVID-19 national emergency. A substantial economic loss means the association or business is unable to pay ordinary operating expenses such as payroll, fixed debts, accounts payable, or other bills. This may also include reduced working capital, increased expenses, cash shortages due to frozen receivables, accelerated debts, and similar economic injuries.

EIDLs are intended to help associations and association business partners continue operations and retain employees to the extent possible. EIDL rules require that loan proceeds are used for working capital necessary to alleviate economic injury and bridge the association or business partner until normal operations are resumed.

EIDLs may not fund expenses like payment of dividends and bonuses, expansions of facilities, retiring federal debt (except IRS obligations), or relocation expenses.

EIDL Grants

Congress allocated \$10 billion for emergency EIDL advances of \$10,000. Upon request of an applicant, prior to approval, SBA will advance up to \$10,000 to the applicant within 21 days. If the EIDL advance is used to support obligations like payroll, paid sick leave for employees, and rent or mortgage payments the \$10,000 emergency advance will convert to a grant and is not required to be repaid.

A good option for community associations and association business partners

The SBA has designated nonprofit organizations and small businesses in all states and territories of the U.S. eligible to apply for EIDLs. Congress has provided additional funding for the program, including \$20 billion to fund EIDL grants.

What are EIDL Terms? How much can be borrowed?

Loan amounts are based on an applicant's financial circumstances and economic injury with loan amounts authorized up to \$2 million with payment terms extending to 30-years. Interest rates for loans to nonprofit organizations like community associations are capped at 2.75%. For businesses, interest rates are capped at 3.75%.



Loans exceeding \$25,000 must be collateralized. Community association assessment income streams are acceptable collateral for EIDLs.

EIDL applicants must have an acceptable credit history and demonstrate an ability to repay the loan. The SBA has indicated it will be flexible with applicants to offer maximum support during the COVID-19 national emergency.

How Can My Association or Business Apply?

EIDL applications will be accepted through the SBA EIDL application portal:

<https://covid19relief.sba.gov/#/>

Required Documentation and Forms

SBA strongly encourages that applicants download and manually complete required loan documents before applying. Required forms may be downloaded at:

<https://www.sba.gov/disaster/apply-for-disaster-loan/index.html>.

Congress has waived many EIDL requirements and applicants may not be required to provide all information below (i.e., tax returns). It is prudent to have compiled all information SBA may require prior to beginning an application.

Required forms for community associations:

- » [SBA Form 5](#)
- » Complete copy of the association's most recent tax return OR a copy of the association's IRS tax-exempt certification AND complete copies of the association's three most recent years' "Statement of Activities"
- » [SBA Form 2202](#), Schedule of Liabilities ([SBA Form 2202 Instructions](#))
- » Completed and signed [IRS Form 4506-T](#)

Required forms for community association business partners

- » [SBA Form 5](#) OR [SBA Form 5C](#) (sole-proprietors)
- » Completed and signed [IRS Form 4506-T](#)
- » Completed copies, including all schedules, of the most recent Federal business income tax returns
- » Completed and signed Personal Financial Statement ([SBA Form 413D](#))
- » [SBA Form 2202](#), Schedule of Liabilities ([SBA Form 2202 Instructions](#))

Tips for completing the process

SBA reports its web-EIDL application portal is experiencing high traffic volume. To ensure your application process is easier—

- » Consider completing the web-EIDL application during non-peak hours such as early morning or in the evening
- » Save application progress regularly
- » Be sure to submit all required documentation—incomplete documentation causes delays



- » Be patient. SBA predicts it will take at least 2 hours to gather all information required to successfully apply.