



Legal Strategies and Solutions  
to Protect and Grow Businesses<sup>sm</sup>

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## EID Loans and EID Loan Advances – Summary

There is an important distinction regarding the newly available SBA Economic Injury Disaster assistance (EID *loans* vs EID *loan advances*) as a result of the COVID-19 situation.

An EID loan is not subject to forgiveness, but may be used for practically any business expense.

In contrast, an EID loan advance **does not have to be repaid**, even if the applicant’s loan is denied. However, the EID loan advance must be used for one or more specified purposes. The EID loan advance is supposed to be available within three days of a successful application.

### Economic Injury Disaster Loan vs Loan Advance

	<b>EID Loan</b>	<b>EID Loan Advance</b>
<b>Maximum Amount</b>	Up to \$2 million	Up to \$10,000
Use of Proceeds	Unrestricted	Solely for the following business expenses: <ul style="list-style-type: none"> <li>• to pay sick leave to employees not able to work due to the direct effects of COVID-19;</li> <li>• to maintain payroll during business disruptions and slowdowns;</li> <li>• to pay for increased supply chain costs;</li> <li>• to pay rent or mortgage payments; or</li> <li>• to pay debts that cannot otherwise be paid due to lost revenue</li> </ul>
Eligible for Forgiveness	No, unless you roll the unpaid amount into a Payroll Protection Program* loan	Yes (if Use of Proceeds requirements are satisfied)
Personal Guarantee Required?	No—loans up to \$200,000 Yes—loans more than \$200,000	No
Interest Rate	Up to 4%	Not applicable
Maturity	Up to 30 Years	Not applicable

\* Loans under the Paycheck Protection Program are separate from (and in addition to) the EID loans and loan advances.

**CAUTION:** The EID loan can be used for any purpose. In contrast, the PPP loan is forgivable (under certain circumstances and up to certain amounts) and must be used for certain specified purposes—

similar to the EID loan advance. However, a borrower can “roll” the EID loan balance into a PPP loan, which might create a problem when subsequently determining whether the PPP loan will be forgiven.

**DISCLAIMER:** The foregoing is not legal advice and cannot be relied upon unless and until a binding client representation agreement is entered into with this law firm. Before making any decisions, interested borrowers should understand the full scope, purpose, and permitted use of these loans.

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