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## **ECONOMIC INJURY DISASTER LOAN (EIDL)**

Below are key points of information for small businesses who are strongly recommended to apply for financial relief from the Small Business Administration. This information is relative to Georgia small businesses and SME's (small-to-medium sized enterprises), but a small business owner should check with his or her local Small Business Administration (SBA) office for additional details specific to your state. The information below pertains to the Economic Injury Disaster Loan (EIDL), a component of the ***Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 (H.R. 6074)***, providing \$1 billion in loan subsidies for small businesses, part of a total \$8.3 billion package signed into law by President Trump.

***Information below summarizes the EIDL program, its benefits, and requirements from researched sources and numerous conference calls. Please use this information in addition to performing your own independent research.***

1. **Economic Injury Disaster Loan (EIDL)** – provided to help small businesses afflicted with lack of sales/revenue due to the COVID-19 Coronavirus.
2. The EIDL is produced to assist a disaster declaration, a ***“declaration”*** of economic injury. Meaning, the small business owner is ***declaring*** an economic disaster resulting from the Coronavirus (COVID-19). The disaster drives a negative impact on your ability to generate sales/revenue due to the Coronavirus (COVID-19), hence the injury caused to the business.
3. This declaration allows the SBA to operate in a ***disaster relief function*** due to the Coronavirus (COVID-19), and as the chief agency administering the EIDL.
4. The EIDL is available to all 159 counties in Georgia, and to small businesses of any size. The SBA will work with all small businesses to assist in the processing of its EIDL application, criteria verification, satisfying all requirements, and loan disbursement based on qualification.
5. Loans are used for working capital only, not to purchase assets. Meaning, working capital is used to pay employees, overhead (rent and utilities), and having much needed cash to operate during the disaster period.
6. All loans will be disbursed through the SBA, not a bank or SBA preferred lender. SBA is the lender and all guaranteed loans are disbursed directly from the SBA. So, do not go to your bank or any local bank. Go directly to the SBA.



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7. Loans start from \$200 minimum to \$2,000,000 maximum. Meaning, based on the severity of a small businesses' "**economic injury**", projected loss of revenue, this determines the amount of your loan.
8. Any business requiring an amount less than or equal to \$25,000, that business will not require collateral for the loan. Any business requiring a loan in the amount of \$25,000 and greater, collateral will be required. This is an advantage for businesses only requiring a reasonable amount to borrow.
9. Repayment of the loan begins 1 year after disbursement.
10. Cost of the loan is at 3.75% (for-profit business), and 2.75% (non-profit business).
11. Repayment period is up to 30 years.
12. SBA also offers a non-repayment grant **up to** \$10,000. [CLICK HERE](#) for details.
13. Credit history will be reviewed.
14. Application deadline is Friday, December 18, 2020. **DO NOT** procrastinate. The U.S. has over 30 million small businesses.

#### **What should a small business do:**

1. Determine the **economic injury** to your business.
  - a. For what period would you need a loan to cover your expenses (i.e. 2 months, 3 months, 5 months, etc.)
  - b. Use your Profit & Loss to determine your revenue and expenses, and what your net profit is. We recommend you look at the past 12 months. You should pay attention to cycles in revenue and expense activity over that 12-month period to make as close to an accurate determination as possible. [CLICK HERE](#) and see SBA basic filing requirements on pages 8 & 9.
  - c. For whatever period you determine a need for the loan, project what your revenues and expenses would be. For instance, revenue would be low, because consumers are not shopping and purchasing with you. This will be tentative, and contingent on the government's easing on curfews and "social distancing"



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policies, which drastically limits traffic in and out of small businesses, diminishing consumer spending. However, your obligation to pay your rent on the facility continues, compensation to staff, paying utilities, paying business taxes, insurance, purchasing of supplies and materials, etc. Your projections will determine the amount you need.

According to the SBA, the loans are to assist through the disaster recovery period. This “period” has not been defined and is contingent on how well we can find a treatment for the COVID-19 Coronavirus and stop infection rates. At the present time, we don’t have an end date to this spreading of the virus. Once doctors and scientists can find a treatment or cure, the situation will begin to turn around.

Contacting the appropriate SBA representative is strongly recommended. For detailed application requirements, EIDL specifics, and contact information, [CLICK HERE](#). This is insightful information, so please read thoroughly. For all information specific to applying in Georgia, [CLICK HERE](#). For previously published information for small businesses, [CLICK HERE](#).

## **RECOMMENDATIONS:**

### **Applying for The EIDL:**

1. Review all requirements in detail ASAP (Now). These loans are competitive, and many will be applying, probably congesting the bandwidth of the online registration process. Consider, there are 30 million small businesses in the U.S. affected by this virus, so consider the magnitude of the rush for capital. In the areas where you need clarification, contact the SBA office to receive the advisement you need. You can also contact those with whom you seek business advisement on a regular.
2. Meet with your business tax accountant to prepare the following:
  - a. Gather financial documents
  - b. P&L (Profit and Loss Statements)
  - c. Tax documents
  - d. Financial documents (bank statements)

This should be your initial step, before you think of beginning the application process. You can’t apply for the loans without this critical information. [CLICK HERE](#) and see SBA basic filing requirements on pages 8 & 9.



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3. Be cautious in seeking assistance. People are taking advantage of those who are desperate. Don't be desperate and get scammed. Do your research and contact a reputable source for your assistance. Again, contact the SBA. The EIDL loans are dispensed through the SBA. If you have an advisor or consultant with whom you have already built a relationship and know well, use your best judgement. Otherwise, go directly to the SBA Customer Service Center for assistance at (800) 659-2955. Learn more on how to report COVID-19 scams by [CLICKING HERE](#).

### **General Recommendation:**

Until you can get access to capital to acquire the working capital necessary to restore your liquidity, please see the information below for your application process.

1. Contact your landlord ASAP. Don't wait for him/her to contact you. Contact them to do the following:
  - a. Discuss your lease terms honestly
  - b. Ask for any flexibility you can get
  - c. Ask if the landlord can freeze your rent for a certain period, within reason
  - d. Ask if there can be a rent reduction
  - e. Lease restructuring to get a lower monthly rate

In this time of a global pandemic causing a major hemorrhage to the economy, and curtailing business, your landlord may be sympathetic to your situation. In his/her understanding, he or she may wish to negotiate something with you. Be proactive and ask.

2. If you had terms with a bank, and now your revenues have diminished, contact your bank to discuss your loan terms. Find out what options you have.
3. Some businesses have reduced the hours of their staff from full-time to part-time. If you have not closed your doors entirely, this may be an option you can offer your staff. Business can continue, albeit at an abbreviated level, but at least you have your workers with you.
4. If you have already closed your doors and laid staff off, move quickly to apply for the loans. Getting working capital will infuse much needed cash to help generate business activity.



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If the information provided herein does not cover a question or questions you seek, please contact the SBA with your specific inquiries. They are the best resource for the specificity you require.

***Thompson Management Consulting, LLC does not act on behalf of the SBA or any government entity. We work and collaborate with others to educate stakeholders in our small business ecosystem. We wish only to serve as a bridge, connecting business owners to resources. Hopefully, we made this document concise and informative enough for you.***

Additional information will be updated as it becomes available. We sincerely wish you all the best in your application process. Our small businesses are very important to us and to this economy. You are a vital part of our economic engine.

Contact us with any general question or for further direction at [info@tmconsultingllc.com](mailto:info@tmconsultingllc.com) if needed.