

## Loans for Military Reservists (MREIDL)

The filing period for small businesses to apply for economic injury loan assistance begins on the date the essential employee is ordered to active duty and ends 1 year after the essential employee is discharged or released from active duty.

(NOTE: This program applies to military conflicts occurring or ending on or after March 24, 1999)

The purpose of the Military Reservist Economic Injury Disaster Loan program (MREIDL) is to provide funds to eligible small businesses to meet its ordinary and necessary operating expenses that it could have met, but is unable to meet, because an essential employee was "called-up" to active duty in their role as a Military Reservist. These loans are intended only to provide the amount of working capital needed by a small business to pay its necessary obligations as they mature until operations return to normal after the essential employee is released from active military duty. The purpose of these loans is not to cover lost income or lost profits. MREIDL funds cannot be used to take the place of regular commercial debt, to refinance long-term debt or to expand the business.

Federal law requires SBA to determine whether credit in an amount needed to accomplish full recovery is available from non-government sources without creating an undue financial hardship to the applicant. The law calls this credit available elsewhere. Generally, SBA determines that over 90% of disaster loan applicants do not have sufficient financial resources to recover without the assistance of the federal government. Because the Military Reservist economic injury loans are taxpayer subsidized, Congress intended that applicants with the financial capacity to fund their own recovery should do so and therefore are not eligible for MREIDL assistance.

**Credit Requirements:** SBA's assistance is in the form of loans, as such SBA must have a reasonable assurance that such loans can and will be repaid.

**Collateral Requirements:** Collateral is required for all MREIDLs over \$50,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

**Interest Rate:** The interest rate is 4.000%

**Loan Term:** The law authorizes loan terms up to a maximum of 30 years. SBA determines the term of each loan in accordance with the borrower's ability to repay. Based on the financial circumstances of each borrower, SBA determines an appropriate installment payment amount, which in turn determines the actual term.

**Loan Amount Limit - \$2,000,000:** The actual amount of each loan, up to this maximum, is limited to the actual economic injury as calculated by SBA, not compensated by business interruption insurance or otherwise, and beyond the ability of the business and/or its owners to provide. If a business is a major source of employment, SBA has authority to waive the \$2,000,000 statutory limit.

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**Insurance Requirements:** To protect each borrower and the Agency, SBA requires borrowers to obtain and maintain appropriate insurance. Borrowers of all secured loans (over \$50,000) must purchase and maintain hazard insurance for the life of the loan on the collateral property. By law, borrowers whose collateral property is located in a special flood hazard area must also purchase and maintain flood insurance for the full insurable value of the property for the life of the loan.

### **Frequently Asked Questions about Military Reservist Economic Injury Disaster Loans**

**I've heard that SBA loan applications are complicated and hard to complete. Is this true?**

No. The application form asks you for the same information about the business and its substantial owners and managers that generally is required for a bank loan. If you need help, SBA personnel will explain the forms and give you assistance at no charge. You may use the services of accountants, attorneys, or other representatives if you wish, but be sure they are reliable and that their fees are reasonable. You must report the use of a representative and the fees charged on your loan application.

**Must I use my own money or try to borrow from a bank before I come to SBA?**

No. The resources of the business and its principals will be considered in determining the ability of the business to recover without the assistance of the federal government.

**When should I apply for the loan?**

The filing period begins on the date the essential employee receives notice of expected call-up to active duty and ends one year after the date the essential employee is discharged or released from active duty.

**What documentation do I need to give SBA to apply for this type of loan?**

The filing requirements are listed at the beginning of the application. In addition to the financial information required you would normally submit for any loan, your application package must also include the following:

- ◆ copy of the essential employee's notice of expected call-up to active duty, official call-up orders, or discharge or release papers from active duty status
- ◆ statement from the small business owner that the Reservist is essential to the day-to-day operations of the business along with a written concurrence by the essential employee
- ◆ written explanation and estimate of how the essential employee's activation to military service has or will result in the small business experiencing substantial economic injury
- ◆ description of the steps the business is taking to alleviate the substantial economic injury
- ◆ certification from the small business owner that the essential employee will be offered the same job or similar job upon the employee's return from active duty

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### **What is an essential employee?**

An essential employee is an individual (whether or not an owner of the small business) whose managerial or technical expertise is critical to the successful day-to-day operations of the small business.

### **What is meant by a “period of military conflict”?**

Period of military conflict means (1) a period of war declared by Congress, or (2) a period of national emergency declared by the Congress or the President, or (3) a period of contingency operation. A contingency operation is designated by the Secretary of Defense as an operation in which our military may become involved in military action, operations, or hostilities (e.g., peace keeping operations).

### **What does “substantial economic injury” mean?**

Substantial economic injury means that your business either has been or will be adversely impacted by the deployment of the Military Reservist and that the business is (1) unable to meet its financial obligations as they mature, and/or (2) unable to pay its ordinary and necessary operating expenses, and/or (3) the small business is unable to market, produce or provide a service ordinarily marketed, produced or provided.

### **When will I know if I get the loan?**

To make a loan, we must be satisfied that the business can repay the loan from its operations and take reasonable safeguards to help ensure the loan is repaid. Since we process applications in the order received, the faster you return the application with all the needed information, the faster we can work on it. We try to make decisions on each application within 7 to 21 days. Final approval will not occur until the essential employee has received official call-up orders. Be sure the information in your application is complete; missing information is the biggest cause of delay.

### **How soon can I expect my money?**

Loan funds will be disbursed only after the essential employee has been officially called to active duty. After we approve the loan, we will tell you what documents are needed to close the loan. Once we receive these documents, we can disburse the funds

For more information contact the Disaster Assistance Customer Service Center at 800- 659-2955 or email by at [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov) for an application, or you may visit the <http://www.sba.gov/services/disasterassistance/militaryreservistsloans/index.html> to download an application.