



Frequently Asked Questions Regarding Agricultural and Farm Loan Collateral Security and the SBA Economic Injury Disaster Loan Program (EIDL)

Overview: The Paycheck Protection Program and Health Care Enhancement Act, enacted on April 24, 2020, expanded eligibility of agricultural enterprises for U.S. Small Business Administration (SBA) Economic Injury Disaster Loans (EIDLs) and Advances (grants) for COVID-19. Although not traditionally a part of EIDL funding, as a result of this new authority agricultural businesses with 500 or fewer employees are now eligible for EIDL assistance in response to the COVID-19 pandemic.

Nonprofit organizations, small business owners and small agricultural businesses in all U.S. states and territories are currently eligible to apply for a low-interest loan due to Coronavirus (COVID-19).

In light of questions from agricultural businesses regarding the effect of SBA collateral requirements on continuing operations of the agricultural businesses and/or farming operations, SBA is issuing the following guidance and clarification.

Frequently Asked Questions

1. Is SBA requiring agricultural businesses to pledge collateral for the EIDL loan, if so what type?

Yes. Collateral is required for all COVID-19 EIDL loans over \$25,000. SBA files a UCC-1 general security interest against non-real estate business assets.

2. Will SBA place a lien on farm products such as agricultural commodities, crops, livestock, and/or the proceeds from any sale of these items.

No. SBA does not require farm products to serve as collateral on COVID-19 EIDL loans. SBA's standard UCC-1 is not set up to create a security interest in any farm products such as agricultural commodities, crops, and/or livestock. SBA has no intent to create a lien on any of these items.

3. Is SBA required to be included on any checks agricultural businesses and farms receive from the sale of crops, livestock, or other agricultural commodities?

No. Farmers and purchasers of farm products and agricultural commodities are not required to notify SBA as part of any sale of these items and borrowers are not required to remit to SBA any proceeds from the sale of agricultural production commodities in the ordinary course of business. SBA does not need to be included in any financing transactions or on any checks from purchasers involving these items.



4. Does SBA have a lien on my equipment if I obtain a COVID-19 EIDL loan over \$25,000?

Yes. The SBA's standard UCC-1 creates a security interest in all business equipment.

5. Does SBA need to be notified if I sell or trade equipment?

Yes. SBA's consent is required before selling or transferring collateral secured by the loans, including equipment.

6. Do I have to remit to SBA the net proceeds from the sale or trade of equipment?

Yes, unless alternative conditions are agreed up prior to the sale or trade of the equipment securing the loan. You must notify SBA of any net proceeds from the sale or trade of collateral equipment.

7. Will SBA subordinate its lien if I have to finance new equipment for my business?

SBA will review requests to subordinate its lien interest to new loans upon request.

Note: This memorandum is intended to provide general guidance and clarification exclusive to collateral security involving COVID-19 EIDL loans for Agricultural Businesses and Farms. Applicants and borrowers with additional questions about SBA's Economic Injury Disaster Loan program may call the Disaster Customer Service Center at 1-800-659-2955 (TTY: 1-800-877-8339) or send an email to disastercustomerservice@sba.gov.

The SBA also has local district offices that can work with Agricultural Businesses and Farms if they need further assistance. Please go to www.sba.gov/local-assistance to locate the email address and phone number for the nearest SBA district office.