

SBA Economic Injury Disaster Loans



U.S. Small Business
Administration

SBA's Disaster Declaration Makes Loans Available Due to the Coronavirus (COVID-19)

The U.S. Small Business Administration (SBA) is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19).



Administrator Jovita Carranza

The EIDL is meant to assist businesses as they recover from an economic injury as opposed to recovering from a physical disaster. These are the only loans done by SBA directly. There is no outside lender involvement as the funds, processing and servicing are all done by SBA. The start of the disaster is January 31, 2020 and my understanding is that we are looking at a 6-month time frame for it.

SBA's Working Capital Loans are Different from Other SBA Loans

- SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury.
- Applicants do not go through a bank to apply. Instead apply directly to SBA's Disaster Assistance Program at: DisasterLoan.sba.gov
- There is no cost to apply.
- There is no obligation to take the loan if offered.
- The maximum unsecured loan amount is \$25,000.
- Applicants can have an existing SBA Disaster Loan and still qualify for an EIDL for this disaster, but the loans cannot be consolidated.



Because you are applying directly to the SBA there are no fees to apply. Anyone that thinks they may be eligible, should apply. Keep in mind you don't have to take the loan if something changes between when you apply and when you receive approval.

Economic Injury Disaster Loan Eligibility

Am I eligible to apply?

SBA's Economic Injury Disaster Loans (or working capital loans) are available to **small businesses, small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations**

This includes:

- Businesses directly affected by the disaster
- Businesses that offer services directly related to the businesses in the declaration
- Other businesses indirectly related to the industry that are likely to be harmed by losses in their community

(Example: Manufacturer of widgets may be eligible as well as the wholesaler and retailer of the product.)



To be eligible you need to be a for-profit small business or a private non-profit. There have been a lot of questions about start-up businesses. It may be more difficult to show your ability to repay without a year of financial statements. But if you are declined, you will have an opportunity for reconsideration and can provide extra documentation to support your position. There have also been some questions about those in the gig economy. In part, your eligibility will be based on how you file your taxes.

Small Business Eligibility

What kinds of small businesses can apply?

Examples of eligible industries include but are not limited to the following:

- Restaurants, retailers, manufacturers, sports vendors, owners of rental property, souvenir shops, travel agencies, hotels, recreational facilities, charter boats, wholesalers, etc.

How do I know if I am “small business”?

Visit: <https://www.sba.gov/document/support--table-size-standards>

At this point, almost all eligible small businesses are going to qualify. To determine if you are small visit the website below. Again, keep in mind that SBA will decide on eligibility based on all the information provided in the application. The loan officers are reviewing each loan package on a case by case basis to make decisions that will best help small business owners.

Private Non-Profit Eligibility

What kinds of non-profits may apply?

Nursing homes, food kitchens, museums, educational facilities, senior citizen centers, daycare centers, playhouses, community centers, shelters, rescue organizations, associations, etc.

An eligible private non-profit organization is a non-governmental agency or entity that currently has:

(1) An effective ruling letter from the U.S. Internal Revenue Service, granting tax exemption under sections 501(c), (d), or (e) of the Internal Revenue Code of 1954

OR

(2) Satisfactory evidence from the State that the non-revenue producing organization or entity is a non-profit one organized or doing business under State law.



Non-profit status can be based on either state or federal tax law. The disaster center is encouraging any private non-profit to apply and let the loan officer make the determination on eligibility. Non-profits will need to provide tax returns regardless of loan size.

Ineligible Entities

What are some of the businesses that are ineligible for an Economic Injury Disaster Loan?

- Agricultural Enterprises -If the primary activity of the business (including its affiliates) is as defined in Section 18(b)(1) of the Small Business Act, neither the business nor its affiliates are eligible for EIDL assistance. [Please contact USDA or the State of Minnesota for agriculture-related assistance.](#)
- Religious or Charitable Organizations and government-owned concerns
- Businesses considered hobbies
- Gambling Concerns - more that 1/3 of annual gross revenue from legal gambling activities.
- Speculative real estate businesses



These are some of the ineligible businesses. The way the disaster center described ag enterprise is if you grow it, feed it or water it the business is not eligible except for agriculture aquaponics. The second bullet point causes a little confusion because it says charitable non-profits are not eligible but if you aren't sure about your status, apply.

SBA's Economic Injury Disaster Loan Terms

How much can I borrow?

- Eligible entities may qualify for loans **up to \$2 million**.
- The interest rates for this disaster are **3.75 percent for small businesses** and **2.75 percent for nonprofit organizations** with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.

How can I use the loan funds?

- Fixed debts
- Payroll
- Accounts payable
- Other bills that could have been paid had the disaster not occurred



The loans are not intended to replace lost sales or profits or for expansion.



Up to \$2M at 3.75 percent or 2.75 depending on entity for a term of up to 30 years. This loan is to be used to pay bills that occur in the ordinary course of doing business. My understanding is that the loan officer will determine the amount and term of the loan based on the financial information that you provide in the application process and will be looking at things like your loss of revenue based on the virus. There are no prepayment penalties. And there will be a 12-month deferment during which time you will not be required to make payments, but interest will be accruing.

SBA's Economic Injury Disaster Loan Terms

What is the criteria for a loan approval?

Credit History

Applicants must have a credit history acceptable to SBA and is assessed in a case by case basis.

Repayment

SBA must determine that the applicant business has the ability to repay the SBA loan.

Collateral Requirements

- Economic Injury Disaster Loans over \$25,000 require collateral.
- SBA takes real estate as collateral when it is available.
- SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.



The agency will pull a credit report but don't get hung up on your credit score. The loan officer will be looking at credit history as well as repayment ability. Collateral will be required for loans over \$25,000 but generally, lack of collateral will not be the sole reason for declining a borrower. If your financial statements show available collateral the SBA may ask you to pledge it. Generally, the SBA looks first to real estate and then to other business assets as collateral.

Preparing to Apply

Gather your documents:

- ✓ Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.
- ✓ Complete copies of the most recent Federal Income Tax Return, these will only be required for loans over \$500,000.
- ✓ Schedule of Liabilities (SBA Form 2202).
- ✓ Personal Financial Statement (SBA Form 413) (Other Information may also be requested)



Slide 10 – The next couple of slides speak to some of the documentation. These documents can be obtained at the disaster application website that comes up on a slide 13. Tax Authorization Form, IRS Form 4506T allows the IRS to release your tax information to the requesting organization. Make sure the information you fill out on this form matches the information that was on your tax returns. For example, if put Bill on this form and filed as William, the IRS will not provide SBA with information. Special note that income tax returns will not be required on loans under \$500,000. Schedule of Liabilities, SBA Form 2202 is a list of your obligations showing original amount and date, current amount and date, whether its current or delinquent, maturity date, payment amount and how it is secured. Personal Financial Statement, SBA Form 413 is used to analyze repayment ability and creditworthiness. It includes your assets, liabilities, sources of income, notes payable, stocks and bond, real estate owned and a variety of other assets and liabilities. Keep in mind this form is about your personal finances, not business.

Preparing to Apply

Other information that may be requested:

- ✓ Complete copy, including all schedules, of the most recent Federal income tax return for principals, general partners or managing member, and affiliates (see filing requirements for more information).
- ✓ If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year .
- ✓ A current year-to-date profit-and-loss statement .
- ✓ Additional Filing Requirements (SBA Form 1368) providing monthly sales figures or ODA Form P-019. (This is especially important for Economic Injury Disaster Loans.)



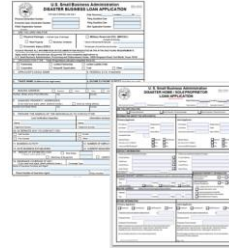
Note that for partnerships, owners with 20% or more in the company or affiliates you will also need the tax information as well as the SBA Form 413 and IRS Form 4506-T. If you have completed your 2019 tax returns, there alternate acceptable documents. Additional Filing Requirements, SBA Form 1368 is used to help show economic loss. You'll be listing month-by-month sales figures for the last three years and current year to date. This form may have been replaced by EIDL Supporting Information Form, ODA Form P-019. It will be provided by the disaster center if they want you to submit it.

Ready to Apply

1) Have all business/non-profit financial and tax documents on hand

2) Complete the SBA loan application

- Hard-copy SBA Form 5 or SBA Form 5C for sole proprietorships
- **OR** Apply online for auto populating SBA forms (using the Edge browser)

Two SBA forms are shown. The top one is SBA Form 5, 'U.S. Small Business Administration Disaster Loan Application Form'. The bottom one is SBA Form 5C, 'U.S. Small Business Administration Disaster Loan Application Form for Sole Proprietors and Partners'.A screenshot of the SBA Disaster Loan Assistance website. The page title is 'Disaster Loan Assistance' and it includes a 'Notice - Terms of Use' section. The website is for the U.S. Small Business Administration.

TIP: Download the SBA hard-copy forms to prepare for the online form submission and make sure you save your application online as you go!

**Although a paper application and forms are acceptable, filing electronically is easier, faster and more accurate.*



Slide 12 – We've been advised that Edge is the browser of choice for this process and appears to cause the least problems. Form 5 is the actual application. It is here you will fill in the specifics of your business-like name, address, phone numbers, formation type, etc. The second box lists the types of disasters and you will want to select Economic Injury (EIDL). This is important because it will get your application kicked out right away. This form and the previous ones can be printed out in advance so you can see what information you need to have available to complete the process. The fields with a red asterisk are required and you cannot proceed without providing the requested information.

Options to Apply



1. Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure website at <https://disasterloan.sba.gov/ela>.
2. Paper loan applications can be downloaded from the link above. Completed applications should be mailed to:
**U.S. Small Business Administration
Processing and Disbursement Center
14925 Kingsport Road, Fort Worth, TX 76155**
3. Disaster loan information and application forms may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339 for the deaf and hard-of-hearing) or by sending an email to disastercustomerservice@sba.gov.



The recommended way to apply is via the online portal but there is a mail-in option for those businesses in areas with connectivity issues. Keep in mind that applying by mail will take longer. The link on bullet point one is the location to apply and access the documents from the previous slides. At the top of that page is a link for "Loan Information" which is where you will find the forms, FAQs, and other useful information. There is a Save button on each page which will allow you to come and go out of the application, as necessary. WORD OF CAUTION - When you are setting up your account it is very important to record your password. There is no way for SBA to reset your password. DO NOT LOSE IT. If you do, you will have to start the process over if you exit and try to return to your application.

Tips To Submit Your Application



The biggest reason for delays in processing is due to missing information.

- Make sure to complete all filing requirements before submitting the application and forms.

Can I change my loan amount once I have submitted an application?

- If more funds are needed, applicants can submit supporting documents and a request for an increase.
- If less funds are needed, applicants can request a reduction in the loan amount.

What if I am denied a loan?

- If the loan request is denied, the applicant will be given up to six months in which to provide new information and submit a written request for reconsideration.



You want your application to be complete and accurate. Printing and pre-filling the documents should help with this. You can request to have your loan increased or decreased after submission. It is important to request reconsideration for a denial as quickly as possible. You will have two chances to request reconsideration.

Things to keep in mind



- Many of the questions you have can't be answered until we have your application.
- If you don't see the Minnesota declaration, you may need to clear your browser history.
- Credit Elsewhere in the case of the EIDL loan has to do with the business owner's ability to pay on their own.
- Personal Guarantees will be required.
- You will need to call customer service for error messages.
- After submission, you will be contacted by a loan officer to let you know if they need more documents to complete processing.



The loan officer needs to take into consideration your entire package before they can make a determination on size and term of loan. For credit elsewhere, the loan officer will review the information provided to determine how much the business needs to pay its ongoing bills and what kind of liquid assets they have. If it appears the business can pay its ongoing bills out of those liquid assets, they may be declined. Personal guarantees will be required regardless of the size of the loan and they may need to be secured. The determination on that will be done on a case by case basis by the loan officer. For error messages, contact the customer service center and they will be able to look at your application and help problem solve.

Assistance From SBA Partners

No-cost technical assistance, consulting, and mentorship from any of [SBA's Resource Partners](#):

- **Small Business Development Centers (SBDCs)** - <https://mn.gov/deed/business/help/sbdc/>
- **SCORE** - <https://www.score.org/>
- **Women's Business Centers (WBC)**
 - **WomenVenture** - <https://www.womenventure.org/>
 - **Women's Business Alliance** - <https://www.entrepreneurfund.org/womens-business-alliance/>
- **Veteran's Business Outreach Centers** - <https://www.wvbic.com/veterans/>



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Minnesota has great SBA resource partners around the state. They can help small business owners prepare and understand their financial statements as well as provide general business advice. We know of SBDC consultants that are already assisting clients with the application process. Contact our resource partners and utilize their expertise.

Any Questions?



More information concerning
SBA and its programs

Sign up for updates at www.sba.gov/updates

Follow us on Twitter [@sba_minnesota](https://twitter.com/sba_minnesota)

Send questions to:

Minneapolis.mn@sba.gov | 612.370.2324

disastercustomerservice@sba.gov | 800-659-2955

(800-877-8339 for the deaf and hard-of-hearing)



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A couple of final comments. When you complete the online process, my understanding is that you will receive some kind immediate notification that the application has been uploaded or accepted. The disaster loan center will be processing the loans on a first come, first serve basis. We are being told to submit early but not be concerned about funds availability. If you have trouble uploading documents, keep trying or send an email to disastercustomerservice@sba.gov and include your application number. The disaster center is trying to complete the approvals in three weeks, but this is uncharted territory for them so it may take longer.