

## SBA Economic Injury Disaster Loans



U.S. Small Business  
Administration

Moderator to do housekeeping items: Thank you for logging in to hear more about the SBA Economic Injury Disaster Loan (EIDL). My name is Twila Kennedy and I'm the Lead Economic Development Specialist for the Minnesota District Office.

## **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 disaster center seemed to indicate they are looking at 6 months as the disaster timeline.

## 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](https://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. And 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 will be more difficult to show you are in business without an incoming revenue stream or to show your ability to repay without a year of financial statements. One of the forms I will discuss on a later slide has a place to provide narrative on your business and this is where you can make your case to the loan officer reviewing your file. 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 businesses are going to qualify. To determine if you are small visit the website below. Again, keep in mind that SBA will make a decision on eligibility based on all the information provided in the application.

## 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 (MN Department of Revenue) 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. One change that was recently made was to no require tax returns from businesses receiving loans under \$500,000. 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



The way the disaster center described ag enterprise is if you grow it, feed it or water it the business is not eligible. Speculative real estate is things like apartment buildings, developers subdividing lots, etc

## 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.**



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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. They will be looking at your loss of revenue based on the virus. There are no prepayment penalties. 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 also be looking at credit history and payment ability. Collateral will be required for loans over \$25,000. Generally, lack of collateral will be the sole reason for declining a borrower but if your financial statements show available collateral the SBA may ask you to pledge it.

## 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)



These documents can be obtained at the disaster application website that comes up on a future slide. 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. 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. (This is especially important for Economic Injury Disaster Loans.)



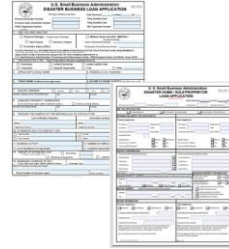
Note that for partnerships, owners with 20% or more in the company or affiliates you will also need the tax information as well as the SBA Form 413 and IRS Form 4506-T. Additional Filing Requirements, SBA Form 1368 is used to help show economic loss. You'll be listing month-by-month sales figures for the last three years and current year to date. You'll also have an opportunity to provide a financial forecast showing income and expenses for the time period during the disaster as well as some narrative. This last part isn't required will better help the loan officer understand your situation.

## 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

Two SBA forms are shown. The top one is SBA Form 5, 'Disaster Loan Application', and the bottom one is SBA Form 5C, 'Disaster Loan Application for Sole Proprietors and Partners'. Both forms are filled out with various fields and checkboxes.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's Office of Disaster Assistance.

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.*



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 first box lists the types of disasters and you will want to select Economic Injury (EIDL). This part is very 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. As you are filling out these forms online keep in mind that any field with a red asterisk is required and you cannot proceed without providing the required 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](mailto: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 slide. There is a link for "Loan Information" which is where you will find the forms, FAQs, and other useful information. When you are setting up your account it is very important to record your password. There is a Save button on each page which will allow you to come and go out of the application as necessary. BIG BUT - 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.

## 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.

## Submit Your Application



### 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. For the 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. For error messages, the customer service rep 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)**

**SCORE**

**Women's Business Centers (WBC)**

**Veteran's Business Outreach Centers**

For the nearest office, visit: <https://www.sba.gov/local-assistance>

**SBA Minnesota District Office**

[Minneapolis.mn@sba.gov](mailto:Minneapolis.mn@sba.gov)

**Sign up for updates at [www.sba.gov/updates](http://www.sba.gov/updates)**

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These are SBA's resource partners and they can help small business owners prepare and understand their financial statements as well as provide general business advice.



## Any Questions?



More information concerning  
SBA and its programs

Twila Kennedy, Lead Economic Development Specialist  
[twila.kennedy@sba.gov](mailto:twila.kennedy@sba.gov) | 612.370.2300



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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 something similar. The disaster loan center will be processing the loans on a first come, first serve basis. They are trying to complete the approvals in three weeks, but this is uncharted territory for us. At this time, we'll go through the questions in the chat.