

SBA Economic Injury Disaster Loans

March 24, 2020

An additional source of Coronavirus-related relief is being provided by the U.S. Small Business Administration (SBA) in the form of Economic Injury Disaster Loans (EIDLs). These loans consist of working capital provided to small businesses to meet their ordinary and necessary financial obligations that cannot be met as a result of the COVID-19 disaster.

Anchin can help you evaluate whether the program may be an option for you to help meet your liquidity needs and to understand the various related requirements. See below for more details from Anchin and the SBA.

SBA Economic Injury Disaster Loans

The U.S. Small Business Administration (SBA) provides Economic Injury Disaster Loans (EIDLs) to provide working capital to small businesses to meet their ordinary and necessary financial obligations that cannot be met as a result of a disaster. Coronavirus (COVID-19) has been classified as such a disaster. A full list of states and counties that qualify for an EIDL under the COVID-19 declared disaster can be found at <https://disasterloan.sba.gov/ela/Declarations/Index>. A business must meet the SBA's small business size standard which is set by industry, based on NAICS code. For some industries, the size standard is based on revenue and for some industries it is based on number of employees.

Businesses impacted by COVID-19 currently have until December 21, 2020 to apply for an EIDL up to \$2,000,000. The SBA has the authority to loan more than the \$2,000,000 if a business is considered a major source of employment. The amount of the loan that a business is eligible for is based on the economic injury determined by the SBA, and is reduced by any insurance proceeds or other recoveries by the business.

Interest rates are fixed and have a maximum of 3.75%. The SBA will determine the

term of the loan based on the applicant's financial condition, with a maximum term of 30 years. Loan proceeds may not be used to refinance an existing long-term debt of the borrower.

Borrowers must demonstrate that they do not have other credit available, including from the owners of the business. The SBA may also require a personal guarantee from all general partners or managing members and any partner or member who owns 20% or more of the applicant business. The SBA may require the personal guarantee to be secured with real estate (i.e. a residence) if the applicant business is unable to provide adequate security.

Although a loan application will not be declined solely for a lack of collateral, the SBA requires collateral available to the borrower to be pledged for all EIDLs in excess of \$25,000. A borrower's credit history and ability to repay the loan will be considered in the SBA's decision to offer an EIDL.

In order to apply for an EIDL, there is a 2 page application (Form SBA Form 5) that must be submitted along with the following:

1. IRS Form 4506T, completed and signed by each applicant business, each principal owning 20% or more of the applicant business, each general partner or managing member, and any owner who has greater than 50% ownership in an affiliate business.
2. Complete copies of the applicant's most recent Federal income tax return.
3. Personal financial statement (SBA Form 413) completed by the applicant business, each principal owning 20% or more of the applicant business, and each general partner or managing member.
4. Schedule of Liabilities (SBA Form 2202) listing all fixed debts.

In addition, if your 2019 Federal income tax return has not yet been filed, you may be asked to provide a year-end profit and loss statement and balance sheet for 2019. You may also be asked to provide a current year-to-date profit and loss statement and/or monthly sales figures (SBA Form 1368).

Do not wait until settlement of any related insurance claims to apply for an EIDL. The loan amount can be adjusted after insurance proceeds or other recoveries are

received.

See the [SBA Disaster Relief Loan Guide](#) for specifics about the program.

Anchin can help business owners with the following in addition to other questions you may have:

1. Preparation of the loan application;
2. Preparation of personal financial statements; and
3. Calculation of your working capital needs that are eligible for an EIDL.

Please contact your Anchin Relationship Partner or [Anthony Bracco](#) for assistance.

Disclaimer: Please note this is based on the information that is currently available and is subject to change.