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Client Alert: Fact Sheet for U.S. Small Business Administration (SBA) Disaster Loan Assistance

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RELATED PROFESSIONALS

Julio C. Esquivel
G.P. Diminich
Joseph J. Santaniello
Brian N. McMahon
Michael H. Robbins

MEDIA CONTACT

Wendy M. Byrne
wbyrne@shumaker.com

The U. S. Small Business Administration (SBA) provides low-interest, long-term disaster loans to businesses of all sizes. In response to the COVID-19 crisis, the SBA has authorized Economic Injury Disaster Loans (EIDLs). EIDLs are working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period. **Citizens in all states of the United States are included in eligibility to apply for these loans.** A chart showing the SBA's 3-Step process for applying for EIDL loans can be viewed at: [3-Step Process](#)

Additionally, the following information is from the SBA's Fact Sheets for EIDLs:

Credit Requirements:

- Credit History – Applicants must have a credit history acceptable to SBA.
- Repayment – Applicants must show the ability to repay the loan.
- Collateral – Collateral is required for all EIDL loans over \$25,000. 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 Rates:

The interest rate is determined by formulas set by law and is fixed for the life of the loan. The maximum interest rate for this program is 3.750 percent.

Loan Terms:

The law authorizes loan terms up to a maximum of 30 years. SBA will determine an appropriate installment

payment based on the financial condition of each borrower, which in turn will determine the loan term.

Loan Amount Limit:

The law limits EIDLs to \$2,000,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates. If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.

Loan Eligibility Restrictions:

Noncompliance – Applicants who have not complied with the terms of previous SBA loans may not be eligible. This includes borrowers who did not maintain required flood insurance and/or hazard insurance on previous SBA loans.

Refinancing:

Economic injury disaster loans cannot be used to refinance long term debts.

Insurance Requirements:

To protect each borrower and the Agency, SBA may require you to obtain and maintain appropriate insurance. By law, borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance. SBA requires that flood insurance coverage be the lesser of 1) the total of the disaster loan, 2) the insurable value of the property, or 3) the maximum insurance available.

Applications and Information:

Applicants may apply online, receive additional disaster assistance information and download applications at <https://disasterloan.sba.gov/ela>. Applicants may also call SBA's Customer Service Center at (800) 659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance. Individuals who are deaf or hard-of-hearing may call (800) 877-8339. If mailing, completed applications should be mailed to U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

Additional Considerations:

There may be additional factors impacting the procedure for your individual situation – for example, liens currently held by lenders or trade partners, as well as integrating the SBA assistance with potential forbearance from your current creditors. Shumaker lawyers are able to assist you in navigating these issues. For assistance, please contact your local office.

- North Carolina – Jack Santaniello
- South Carolina – G.P. Diminich
- Ohio – Brian McMahon, Pete Silverman
- Florida – Julio Esquivel, Michael Robbins

For the most up-to-date legal and legislative information related to the coronavirus pandemic, please visit our Shumaker COVID-19 Client Resource Center at shumaker.com. We have also established a 24/7 Legal & Legislative Helpline at 1.800.427.1493 monitored by Shumaker lawyers around the clock.

