

## SBA Disaster Loan Program

Has your small business faced financial pressure due to the coronavirus pandemic? The U.S. Small Business Administration (SBA) has promised to make disaster loans available for businesses in affected areas. Here's how the loan works, who qualifies, how to apply—and how to get your loan forgiven if you default.

### *What is the SBA disaster loan program?*

The Small Business Administration (SBA) disaster loan program or Economic Injury Disaster Loans (EIDL) specifically serve people affected by natural disasters in the U.S. But if you're looking for COVID-19 relief small business and non-profit have options available through the SBA.

You can borrow up to \$2 million if your business is physically affected by a disaster (such as a hurricane or earthquake), or \$2 million for economic injury. The SBA is offering the latter to small businesses affected by coronavirus and the resulting economic slowdown.

**If you qualify, the interest rate for an SBA disaster loan is 3.75% for businesses, and 2.75% for non-profit organizations.** SBA loans have fairly long terms—generally 15 to 30 years—in order to make them affordable for small businesses.

### **How can you spend your loan?**

Your loan is meant to give you working capital to keep your business running during the pandemic. You can use it to cover payroll, make interest payments, pay rent, etc. Once you qualify for a loan, it's up to you to decide how you use it to fill the gaps in your revenue.

### *Who qualifies for an SBA disaster loan?*

You can apply for an Economic Injury Disaster Loan (EIDL) if you have no credit otherwise available (meaning, you don't qualify for other loans), and your business has suffered severe economic hardship because of the pandemic.

Also, independent contractors who work for a separate business (eg. real estate brokers, construction contractors) can qualify if they're able to prove they're separate from the associated business.

Other than that, the only requirement is that you operate in one of the states the SBA recognizes as being affected by the COVID-19 pandemic. As of **March 27, 2020**, businesses in all 50 states are eligible:

For a complete, up-to-date list of states and counties qualifying for disaster assistance, visit the [SBA.gov COVID-19](https://www.sba.gov/covid-19) page.

### ***How to apply for an SBA loan***

You can apply for a loan directly through the SBA's Disaster Loan Assistance portal.

#### **When you apply, be prepared to provide the following:**

- General business information (name, location, SSN, contact info)
- Your annual income statement for 2019, plus 2020 monthly income statements up to the present date (your bookkeeper should be able to provide these)
- Complete copies, including schedules, of the most recent federal income tax returns for the principals of your business (general partners, or 20%+ shareholders in corporations). Be prepared to provide an explanation if you can't provide these.
- A completed copy of the application (SBA Form 5)
- A schedule of liabilities listing all debts (SBA Form 2022)
- A request for a transcript of your tax return (SBA Form 4506-T)
- A personal history statement (SBA Form 912)
- A personal financial statement (SBA Form 413)
- Copies of relevant business certificates or licenses
- A copy of your business lease
- A history of previous loan applications
- Information on collateral property (eg. real estate, equipment) if needed.

In order to get an annual income statement, you'll need up-to-date bookkeeping done.

Once you apply, a loan officer with SBA will check your credit rating. Then they'll check your income statements and tax returns to determine how badly your business needs the loan.

For loans over \$25,000, the lender can require you post collateral. For loans under \$25,000, collateral may not be needed.

That being said, the SBA won't deny you a loan based solely on the lack of enough collateral; they'll assess what you're able to offer, and then take that as posted collateral.

After that, they'll decide how much they'll lend you.

Note: These guidelines are based on the official 880-page bill. The SBA has been given 30 days to issue official guidance regarding loan forgiveness. We'll share updates as soon as we learn of them. Equitable does not provide tax advice and you should consult with your tax advisor before applying.



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