

COVID-19 Alert

SBA ECONOMIC INJURY DISASTER LOANS & ADVANCES

APRIL 2020

The Small Business Administration (SBA) offers economic injury disaster loans (EIDLs) up to \$2 Million to help businesses impacted by COVID-19 meet their working capital needs. There is no cost to apply for an EIDL and no obligation to take an EIDL once approved. Receipt of EIDL funds is currently projected to take at least 5 weeks, and applications will not be considered until all information is complete. Given the high volume of applications, applicants are encouraged not to delay submissions.

HOW TO APPLY?

The SBA has created a streamlined online application available [here](#).

WHO IS ELIGIBLE TO BORROW?

The following entities are eligible if they have a significant and tangible physical presence in the State of Connecticut, have been in operation since January 31, 2020, and are being directly or indirectly impacted by COVID-19:

- Businesses with not more than 500 employees.
- Sole proprietorships, with or without employees, and independent contractors.
- Cooperatives with not more than 500 employees.
- Employee Stock Ownership Plans (ESOP), with not more than 500 employees.
- Tribal small business concern, with not more than 500 employees.
- Business, including an agricultural cooperative, aquaculture enterprise, nursery, or producer cooperative that meets [SBA Size Standards](#).
- Business with more than 500 employees that meets SBA Size Standards linked above.

Non-Profit Eligibility - Eligible non-profit applicants must have either an effective IRS ruling letter under 501(c), (d), or (e), or be able to provide sufficient evidence from the State that they are a non-revenue producing non-profit organized or doing business in the State of Connecticut.

Ineligible Businesses include:

- religious and certain charitable organizations
- casinos, racetracks and other operations that derive more than 1/3 of gross revenue from gambling activities
- agricultural enterprises primarily engaged in food and fiber production, ranching, raising livestock, aquaculture, and related farming and agriculture industries

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- real estate developers primarily engaged in resale subdivision development; lobbyists

WHAT ARE THE LOAN TERMS & CRITERIA?

The SBA has favorably modified its credit standards for these loans to reflect the realities of the COVID-19 outbreak and to extend aid to more of those businesses in need, but applicants are required to be current on any federal debt and child support obligations.

- **Amount:** up to \$2 Million, as determined by the SBA based on business type, size, and financial need.
- **Term:** up to 30 years, as determined by the SBA
- **Interest Rates:** 3.75% for businesses and 2.75% for non-profits
- **Uses:** paying fixed debt, rent, mortgages, payroll, accounts payable and other bills adversely affected by the crisis, provide COVID-related sick leave, and meeting supply chain costs.
- **Collateral:** required for loans over \$25,000, but the SBA will accept best available collateral, and will not decline a loan based on lack of collateral.
- **Guarantees:** Regardless of whether a loan is secured or unsecured, loans in excess of \$200,000 will require a personal guarantee by any individual owning 20% or more of the business.
- **Credit Elsewhere:** The requirement that an applicant not be able to obtain credit elsewhere is waived for EIDLs related to COVID-19.

HOW TO ACCESS AN ADVANCE?

As a part of the EIDL application, applicants may apply for an advance up to \$10,000, payable within 3 days of application. The amount of an Advance will be \$1,000 per employee as of January 31, 2020, up to a maximum of \$10,000. Advances do not need to be repaid, regardless of whether an applicant is approved or denied the EIDL.

How will this Affect Existing Loans? Although the SBA has indicated that availability of collateral will not be a primary factor in EIDL determinations, EIDLs are loans that may be prohibited or restricted by existing financing documentation and approval from existing lenders may be required.

Volunteer Resources for Application Assistance The following SBA partners are available at no cost to provide assistance with application submissions, including financial statement preparation and records reconstruction:

- Small Business Development Centers
- SCORE Association
- Women's Business Centers
- Veterans Business Outreach Centers, and
- Local Chambers of Commerce.

More local resource information can be found at: <https://www.sba.gov/local-assistance>

Please contact the Reid and Riege attorney with whom you regularly work, or a member of our Business Services practice listed to the right, if you have questions or would like to discuss this information in greater detail.

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