SBA Economic Injury Disaster Loans – Coronavirus Related Economic Disruptions
SBA Disaster Customer Service Center

call - (800) 659-2955
email - disastercustomerservice@sba.gov

SBA Website for Information
www.SBA.gov/disaster

SBA Website to Apply
https://disasterloan.sba.gov/ela
Deferments

SBA issued Informational Notice 5000-20004 to remind Lenders of their unilateral authority to defer payments. Please review the appropriate SOP’s for guidance.

7(a) Loans – SOP 50-57 (2)

504 Loans – SOP 50-55

Microloans – SOP 52-00 (2)
Regulatory Relief
Working with Customers Affected by the Coronavirus

Summary: The FDIC encourages financial institutions to take prudent steps to assist customers and communities affected by the Coronavirus Disease 2019 (referred to as COVID-19). The FDIC recognizes that efforts to work with customers and communities affected by COVID-19 can be consistent with safe and sound banking practices and in the public interest. The FDIC issued a Statement on Financial Institutions Working with Customers Affected by the Coronavirus and Regulatory and Supervisory Assistance.

Statement of Applicability to Institutions with Total Assets under $1 Billion: This Financial Institution Letter (FIL) applies to all FDIC-supervised institutions, including community banks.

Distribution:
All FDIC-Supervised Institutions

Suggested Routing:
Chief Executive Officer
Chief Loan Officer
Compliance Officer

Related Topics:
Interagency Statement on Pandemic Planning

Attachment:
FDIC Statement on Financial Institutions Working with Customers Affected by the Coronavirus and Regulatory and Supervisory Assistance

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Note:
Access FDIC Financial Institution Letters (FILs) on the FDIC’s website
Subscribe to receive FILs electronically

Paper copies of FDIC FILs may be obtained through the FDIC’s Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (877-275-3342 or 703-562-2000).

Highlights:
- The FDIC encourages financial institutions to work with customers and communities affected by COVID-19 in a prudent manner.
- The FDIC understands that this unique and evolving situation could pose significant temporary business disruptions and challenges.
- The FDIC encourages financial institutions to work with all borrowers, especially borrowers from industry sectors particularly vulnerable to the volatility in the current economic environment and small businesses and independent contractors that are reliant on affected industries.
- A financial institution’s prudent efforts to modify the terms on existing loans for affected customers will not be subject to examiner criticism.
- The FDIC will work with affected financial institutions to reduce burden when scheduling examinations, including making greater use of off-site reviews, consistent with applicable legal and regulatory requirements.
- The FDIC’s staff stands ready to work with financial institutions that may experience challenges fulfilling their regulatory reporting responsibilities and will act expeditiously if institutions need to temporarily close facilities.
- The FDIC has launched a COVID-19 webpage on its public website to provide useful information to bankers, consumers, and others. Financial institutions that have questions about guidance in the statement are encouraged to contact their FDIC Regional Office.
- Depository institutions can advise customers to contact the FDIC toll free at 1-800-ASK-FDIC or 1-877-275-3342 with questions about deposit insurance or accessing bank accounts.
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).

Upon a request received from a state’s or territory’s Governor, SBA will issue under its own authority, as provide by the Coronavirus Preparedness and Response Supplement Appropriations Act that was recently signed by the President, an Economic Injury Disaster Loan declaration.
What businesses are 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.)
Private Non-Profit Organizations

Examples of Non-Profit Organizations: 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.
What is the criteria for a loan approval?

Credit History - Applicants must have a credit history acceptable to SBA.

Repayment – SBA must determine that the applicant business has the ability to repay the SBA loan.

Eligibility - The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.
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?

These working capital loans may be used to pay fixed debts, payroll, accounts payable, and 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.
What are the 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.
SBA’s Economic Injury Disaster Loan Basics

What kinds of small businesses can apply?

Examples of eligible industries include but are not limited to the following: hotels, recreational facilities, charter boats, manufactures, sports vendors, owners of rental property, restaurants, retailers, souvenir shops, travel agencies, and wholesalers.

What other criteria is involved?

The applicant business must have a physical presence in the declared disaster area. An applicant’s economic presence alone in a declared area does not meet this requirement. The physical presence must be tangible and significant. Merely having a P.O. Box in the disaster area would not qualify as a physical presence.
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.

- **Religious Organizations**

- **Charitable Organizations**

- **Gambling Concerns** - (Ex: Concerns that derive more than 1/3 of their annual gross revenue from legal gambling activities)

- **Casinos & Racetracks** (Ex: Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.

- **Real estate developers** - establishments primarily engaged in subdividing real property into lots and developing it for resale on their own account.
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. They apply directly to SBA’s Disaster Assistance Program at: disasterloan.sba.gov/ela

• 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
Basic Filing Requirements

• Completed SBA loan application (SBA Form 5 or 5C).

• Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.

• Complete copies of the most recent Federal Income Tax Return.

• Schedule of Liabilities (SBA Form 2202).

• Personal Financial Statement (SBA Form 413).

Other Information may also be requested.

* Although a paper application and forms are acceptable, filing electronically is easier, faster and more accurate.
Additional Filing Requirements

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.)
How to Apply

SBA’s Customer Service Representatives are ready to serve.

• Applicants may apply online using the Electronic Loan Application (ELA) via SBA’s secure website at [https://disasterloan.sba.gov/ela](https://disasterloan.sba.gov/ela).

• Paper loan applications can be downloaded from [www.sba.gov/disaster](http://www.sba.gov/disaster). Completed applications should be mailed to:

  U.S. Small Business Administration
  Processing and Disbursement Center
  14925 Kingsport Road
  Fort Worth, TX  76155

• 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).
Assistance From SBA Partners

Free assistance with reconstructing financial records, preparing financial statements, and submitting the loan application is available from any of SBA’s partners:

1) Small Business Development Centers (SBDCs)
2) SCORE
3) Women’s Business Centers (WBC)

For the nearest office, visit: https://www.sba.gov/local-assistance
Submit Your Application As Soon As Possible

Recheck the filing requirements to ensure that all the needed information is submitted.

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.

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.

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.
Any Questions?

More information concerning SBA and its programs visit our website at: www.sba.gov/disaster