**Small Business Disaster Loan Information**

SBA will be providing to small businesses impacted by Coronavirus (Covid-19) up to $2 million in Disaster Assistance Loans. To get started an applicant should go to the following:

**Phase 1 – Direct Links for Disaster Information:**

* [www.SBA.gov/disaster](http://www.SBA.gov/disaster) (application...etc)
* Customer Service: 1-800-659-2955 (8 am- 8 pm)

SBA loans are different – just for **working capital** for businesses that experience a disaster.

* Example: payroll, debt
* Not for refinancing or purchasing equipment

This includes all small businesses including nonprofits, but they have to prove that their business had a major downturn or disaster. They have to show how their business industry has been impacted.

**Criteria:**

* The SBA loan is a direct loan from the treasury department
* A business does not need a decline letter from any bank
* SBA applicants will have to show their ability to repay and project out their expenses when the loan is closed
* They have a 12 month deferred payment when the loan closes

**Eligibility:**

* Small businesses only and private nonprofits
* All businesses have to be declared in the area of disaster
* These loans are tied to impact only and up to 2 million dollars – need based
* Fixed rate is 3.75% for businesses and 2.75% for nonprofits (30 year term)

**Application:**

* If the loan is less than $250,000, no collateral is needed
* Above $250,000, then the loan has to be secured with business assets
* A secured lien by SBA will be attached when looking at the business cash flow
* No fees associated when applying for these loans
* If you have an existing disaster relief loan, you can still apply for this current loan
* Ineligible entities – gambling establishments

**Forms Needed:**

There are many forms needed to fill out the application such as:

* Authorization forms, forms from IRS, Federal income tax returns (3 years), personal financial statements, schedule of liabilities, profit/loss

**Loan Officer:**

* Loan officer will calculate how much money an applicant will need – **NOT** the applicant
* If you determine that the amount is not enough, you can request a conversation with the loan officer for another review at a future point
* If a loan is not approved, you have 6 months to reapply
* If your loan is approved, you have 6 months to deny the application
* If you are a nonprofit, a detailed explanation is needed of the type of business. If a partnership, you need to express percentage ownership (4056T). Personal financial statements will be needed
* It is very important that each applicant receive an application number which means the application is complete and can help with faster responses on the status of the application
* An SBA officer can be reached at: [www.sba.gov/localresources](http://www.sba.gov/localresources)

**Resource Centers:**

* SCORE NORTHEASTERN MASSACHUSETTS CENTER
* Mass Small Business Development Center Network – Northeast Regional Office 1-978-542-6343

**Phase 2 – Disaster Loan Assistance Portal for Economic Injury Disaster Loans (EIDL)**

Because of too much documentation that was required for the submittal of the application, the portal was revamped to a more simplified process. Now an applicant is required to submit two forms:

* Form 5/5C – business loans
* Form P-019 – sole proprietor

To file an application under this new portal, an applicant must go to the following link:

* Disasterloan.sba.gov/ela
* Customer Service – disastercustomerservice@sba.gov 1-800-659-2955
* New 12 month deferment period for the first payment is approved
* Loans under $500,000 current tax returns NOT required
* New SBA Express Bridge Loans are now available

**Phase 3 – Disaster Loan Assistance Portal (new updates) as of March 30, 2020**

If submitting an application then the new streamlined step to be followed is:

* Link – Covid19relief.sba.gov/#/

Economic Injury Disaster Loans up to $10,000 will provide economic relief by Covid-19 disaster and funds will be made available within 3 days and this loan advance will not have to be repaid.

**SBA Express Bridge Loan (EBL)**

The EBL is designed to supplement the direct disaster loan capabilities and authorize SBA Express Lenders to provide expedited SBA-guaranteed bridge loan financing up to $25,000

* Link – **Express Bridge Loan Pilot Program Guide**
* This is for small businesses with an existing banking relationship with SBA Express Lenders as of the date of the disaster
* EBL loans can only be made up to six months after the date of an applicable Presidential Disaster Declaration
* The lender must have an existing banking relationship with the EBL applicant as of the date of the applicable disaster to streamline the underwriting process under the EBL Pilot Program
* The small business must have been operational when the declared disaster commenced
* All EBL applications must have a FICO Scoring Service Score (SBSS) of minimum 130
* Lender must obtain a personal credit score for each guarantor
* EBL loans are term loans not to exceed 7 years
* EBL program follows the SBA Express interest rate policy
* Because maximum amount is $25,000, SBA Express Lenders are **NOT** required to take collateral for EBL loans
* Lender may charge a 2% application fee of the loan or $250 whichever is greater
* Prior to any disbursement of EBL loan proceeds lender must submit a signed IRS Form 4506T to the IRS and obtain an IRS transcript to verify the existence of the business as the date of the disaster.

**Paycheck Protection Program (PPP)**

The Paycheck Protection Program (PPP) is a loan program designed to provide a direct incentive for small businesses to keep workers on the payroll. Businesses and nonprofits employing fewer than 500 people can apply. Importantly, the SBA will forgive PPP loans if al employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. The Program will be available retroactive from February 15, 2020, so employers can rehire their recently laid-off employees through June 30, 2020. Loans can be up to 10 million, with a 1% interest rate and a 2-year maturity; there are no payments for the first six months.

**Key Points for interested Businesses:**

* A business must contact a lender to learn if it is participating in the SBA PPP program
* If a business does not have an existing SBA Lender, they must use the SBA’s online Lender Match Tool to identify a lender in their area

**Additional Information:**

Businesses eligible to receive PPP Loans:

* Sole proprietorships
* Individuals who operate as independent contractors
* Self-employed individuals
* Small businesses that meet the SBA’s size standard of 500 employees of less
* A 501 C (3) with fewer than 500 employees
* A 501 C (19) veterans organization that meets the SBA size standard

Businesses that either have received, or have an application pending, for a loan for a duplicative purpose are not qualified to receive a loan under this SBA loan program. Also, an applicant will likely be required to certify, that the 7 (a) loan is needed to continue operations, and the borrower’s affiliates have used all reasonably available funds to pay for the applicant’s operations.

**PPP Loan Program Allocations:**

A business can borrow up to 2.5 times the borrower’s average monthly payroll costs, up to a maximum of $10 million. Payroll costs include the following:

* Salaries, wages, commission on similar compensation
* Vacation, parental, family, medical leave or sick leave payments
* Cash tips
* Payments for group health care benefits, including insurance premiums
* Payments for retirement benefits
* Payments for state and local taxes assessed on employee compensation
* Payments related to dismissal or separation from employment

Excluded from payroll costs are the following:

* Compensation of an employee in excess of $100,000, as prorated for the Covered Period
* Payroll taxes, railroad retirement taxes, and income taxes
* Compensation of an employee whose residence is outside of the U.S.
* Certain qualified sick leave or family leave wages

The interest rate on a PPP Loan will not exceed 4% and the term is up to ten years. These PPP Loans are unsecured loans that will not require personal guarantees. A business can defer repayment between six months and one year and may be pre-paid without penalty.

A common question that is asked by many businesses is whether the business is required to pay the entire amount of the PPP Loan back? The answer is No. One of the benefits of the PPP Loan is that the loan indebtedness may be forgiven and excluded from gross income in an aggregate amount not to exceed the principal amount of the loan for payments made during the Covered Period for:

* Payroll costs
* Interest Payments on mortgages
* Rent
* Utilities

It is important to understand that the forgiveness amount will be reduced if your business cuts employees or reduces and employee’s wages by more than 25%. The amount of the reduction is based on reduction formulas that are part of the PPP Loan program.

**How to apply for a PPP Loan?**

First, an applicant should contact their current bank to see if they are an existing approved SBA Lender. If they are, they should be able to guide the applicant through the application process. If their bank is not an SBA Lender then the following link can obtain the list of SBA Lenders:

* [www.sba.gov/partners/lenders/microloan-program/list-lenders](http://www.sba.gov/partners/lenders/microloan-program/list-lenders)

To find out more detailed information about the SBA Paycheck Protection Program, please go to the following link:

* [www.sba.gov/funding-programs/loans/paycheck-protection-program](http://www.sba.gov/funding-programs/loans/paycheck-protection-program)