

Service

Banking & Finance

SBA's Economic Injury Disaster Loan Program to Assist Coronavirus-Impacted Businesses

There are more than 30 million small businesses in the United States, accounting for more than 99% of all businesses. The U.S. Small Business Administration (SBA) recognizes small businesses as “... vital economic engines that have helped make our economy the strongest in the world.” Small businesses around the country are suffering the devastating economic impacts of coronavirus (COVID-19) and are in desperate need of working capital to survive until normal operations resume.

In response the SBA announced that in designated states and territories small businesses and private, non-profit organizations that are suffering substantial economic injury as a result of COVID-19 may qualify for Economic Injury Disaster Loans (EIDLs). EIDLs are low-interest loans (3.75% for small businesses and 2.75% for non-profits)—up to \$2,000,000 each—that may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of COVID-19's impact. Small businesses with credit available elsewhere are not eligible for EIDLs. The SBA will complete an analysis of the financial information provided by the applicant to determine whether the “credit available elsewhere” standard is met.

Eligible small businesses

Determining whether an enterprise fits within the SBA's definition of a “small business” depends on a couple of key criteria—most notably top-line revenue and employee headcount—but, the thresholds vary by industry type. It is best to utilize the SBA's website tool to make an accurate determination as to eligibility.

State-by-state EIDL designations

In order to receive a COVID-19 EIDL declaration from the SBA, each state's governor had to submit a formal request for EIDL assistance to the SBA's Office of Disaster Assistance. Per the relaxed criteria announced by the SBA on March 17, 2020, such requests had to certify that at least five (5) small businesses within the state have suffered substantial economic injury, regardless of where those businesses are located. The SBA, under its own authority as provided by the Coronavirus Preparedness and Response Supplemental Appropriations Act, could then make an economic injury declaration for that state, making COVID-19 disaster assistance loans available statewide to eligible small businesses and private, non-profit organizations.

Since the EIDL COVID-19 program was launched, many states have received an EIDL declaration from the SBA. By March 21, 2020 the number had climbed to more than 30, and we anticipate that small businesses in all 50 states and certain U.S. territories will qualify for the program in short order, perhaps as early as the end of this weekend. Business owners should check with the SBA to make certain their state is on the list.

Application process

Once an economic injury declaration is made by the SBA, affected small businesses within the declared state may submit an application for an EIDL. There is no cost to apply. The applicant should be prepared to provide its (as well as its principals' and affiliates') historical and current financial information including, for example, most recent Federal income tax return, a current year-to-date profit-and-loss statement, a schedule of liabilities, monthly sales figures, and a personal financial statement. The SBA will review this information to determine eligibility and the terms of any EIDL.

Contact us

We continue to monitor the Federal government's efforts to provide much-needed economic relief to small businesses during this unprecedented public health crisis. Should you have any questions, please do not hesitate to contact Jessica Zeratsky or your Husch Blackwell attorney.

Husch Blackwell has launched a COVID-19 response team providing insight to businesses as they address challenges related to the coronavirus outbreak. The page contains programming and content to assist clients and other interested parties across multiple areas of operations, including labor and employment, retailing, and supply chain management, among others.