

SBA Economic Injury Disaster Loan Program

On Thursday, March 12, 2020, President Trump and the Small Business Administration announced that disaster loans would be available for businesses and non-profits being affected by the coronavirus pandemic. These loans provide critical and timely support to America's small businesses to help them bridge this moment of decreased revenue.

Small business owners in Wisconsin are currently eligible to apply for a low-interest loan due to Coronavirus (COVID-19). For more information and/or to apply to go www.sba.gov.

What is an SBA disaster loan?

A disaster loan from the Small Business Administration is a low-interest loan offered at a point of extreme need with the aim of helping small businesses and non-profit organizations stay open and retain their property and other assets.

Coronavirus introduces a need for disaster loans

As defined by FEMA, a "disease or pandemic" qualifies as the kind of disaster for which small businesses may appeal to federal and state governments for assistance.

The coronavirus has taken a particular toll on American businesses and non-profits. The loan program provides funding in the form of loans up to \$2 million depending on the needs of the business. Repayment terms are usually crafted to meet the needs and ability of the business as well.

What are the requirements for an SBA disaster loan?

The Small Business Administration (SBA) was created to support and entice small businesses in the United States. Part of their function is to provide financial support in response to disasters.

While the SBA aims to be generous and helpful with loan assistance, in the case of disasters like the coronavirus pandemic there are strict requirements for qualifying businesses (in order to allow the SBA to help as many companies as possible).

SBA disaster loan requirements

There are four main considerations for an SBA disaster loan: location, credit score, repayment ability, and available collateral.

Location

To qualify for an SBA disaster loan you must **operate** a business located within a declared disaster zone. This might include a city, county, state, or country depending on the nature of the disaster.

Credit requirements

In order to qualify for an SBA disaster loan, the Small Business Administration will perform a routine credit check. As with any loan, the lender is assuming a risk and credit checks help lenders to be informed and to mitigate those risks.

If your small business credit score is not stellar, the SBA will still consider other factors, such as recent income and your history of rent, utilities, insurance, and other payments.

Repayment

As with any loan, the lender needs to consider your ability to pay back the loan in full. This will likely be addressed on a case-by-case basis for businesses affected by coronavirus. Some businesses will rebound quickly and be able to repay the loan easily, while others may need more money and more time to adapt to the economic climate created by the pandemic.

Collateral

If you are in need of an SBA disaster loan larger than \$20,000-25,000, it is likely that the lender will insist on some form of collateral to complete the loan process.

Collateral is any property or asset of value that a lender can use to balance the weight of a loan if there is substantial risk. For example, the SBA may consider your business property as collateral for a large loan in the event you were unable to meet the terms of the loan.

Keep in mind—these loans are designed to be as accessible as possible, so do not be afraid to apply and work with the SBA, even if you have bad credit or lack of collateral.

How do I get an SBA disaster loan?

The fastest way to apply for an SBA disaster loan is through their [online portal](#). You will be required to complete the disaster loan application as well as submit [IRS Form 4506-T](#) (which gives permission for the IRS to release your tax return to the SBA).

However, you ought to consider all of your sources before applying to the SBA, as disaster loans may only apply to businesses without any other options.

SBA disaster loan application process

If you have sustained economic damage and need access to capital due to the coronavirus, the SBA describes their **three-step process**:

1. **Apply online, in-person, or by mail.**
2. **Verify property and loan eligibility.**
3. **Receive disbursement of funds.**

While this three-step process sounds straightforward, there are various other steps you may need to take to be prepared for the loan review, including verifying eligible disaster zones (Marathon County is a disaster zone), estimating your losses and financial need, and compiling your business story and community impact.

Be prepared with the **necessary documentation**:

- [SBA Form 5](#) (Business Loan Application)
- [IRS Form 4506-T](#) (IRS Release)
- Most recent Federal income tax returns
- [SBA Form 413](#) (Personal Financial Statement)
- Schedule of Liabilities (may use [SBA Form 2202](#))
- Additional documentation may be requested, such as income statements, deed/lease information, Employee Identification Number (EIN), monthly sales, etc.

Disaster loans are expedited, so you can expect your disaster loan to start incremental payments in 1-3 weeks. You will also be assigned a loan officer who will work with you through the duration of your loan.

Online Portal Note: The SBA portal has experienced high traffic volume and slow site responses. You may call for over-the-phone assistance at any time: 1-800-659-2955. Non-peak hours are 7:00pm to 7:00am EDT.

SBA disaster loan terms and rates

Because the coronavirus pandemic is not considered a physical disaster (such as a tornado or hurricane), it falls under the umbrella of Economic Injury Disaster Loans (rather than traditional SBA disaster loans).

Small businesses with credit available elsewhere may not qualify for Economic Injury Disaster Loans under the coronavirus disaster.

You will register on Pay.gov (under [1201 Borrower Payments](#)) in order to schedule your repayment options. Typically, disaster survivors are required to repay SBA disaster loans in full. The terms of the loan and established within your ability to repay.

SBA disaster loan terms and rates

Eligible Businesses

Small businesses and private nonprofits

Max Borrowing Amount \$2,000,000

Term Lengths Up to 30 years

Interest Rates 3.75% (2.75% for nonprofits)

Fees N/A

How can I use an SBA disaster loan for COVID-19?

If you are approved for an SBA disaster loan due to economic losses caused by coronavirus, you will begin receiving your funds fairly quickly.

SBA disaster loans may be used to cover:

- Fixed debts
- Employees paychecks
- Bills
- Outstanding invoices
- Business adaptations (delivery, online/mobile options, etc.)

An SBA disaster loan for coronavirus should be used to cover costs and losses that would not have occurred except for the complications, quarantines, social distancing, and other measures made necessary by COVID-19.