



## March 26, 2020 Webinar

DISASTER  
SBA LOAN  
BASICS

This seminar is for informational purposes only and is not intended to be financial advice or create any attorney-client relationship.

Individuals should always consider consulting a financial advisor and an attorney before making personal or business decisions.

To meet with us privately, connect via

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# Types of Disaster Loans?

1

- Physical Damage

2

- Economic Injury

3

- Home Disaster Loans

# Economic Injury Disaster Loans



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# Who Qualifies?

- If your small business is in a declared disaster area and has suffered substantial economic injury, your business may be eligible for an Economic Injury Disaster Loan (“EIDL”).
- Substantial economic injury shall mean a business cannot meet its obligations to pay ordinary and necessary operating expenses.

# Who Qualifies?

- EIDLs are available to small businesses small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations
- Examples of eligible businesses:
  - Businesses directly affected by the disaster
  - Businesses that offer services directly related to the businesses targeted in the declaration
  - Other businesses indirectly related to the industry that are likely to be harmed by losses in their community

# Who Qualifies?

- Four Part Test
  - Location
  - Business Activity
  - Size
  - Independently owned and operated

# Who Qualifies?

- Location
  - Must have a physical presence in a declared disaster area.
    - For COVID 19, the entire state of Louisiana
    - Tangible and significant.



# Who Qualifies?

- Business Activity
  - Primary activity of the business must be an eligible activity.
  - Primary activity is based on prior year revenues.
  - The activity of the loss must be eligible as well.

# Who Qualifies?

- Size
  - Applicant with and without its affiliates must not exceed standard size for its industry.

# Who Qualifies?

- Independently Owned and Operated
  - Applicant must have substantial risk and be free from significant control.
    - Substantial business risk – The principals must have a business risk resulting from investing in facilities and equipment and by incurring ongoing expenses, which must be paid regardless of whether the operation generates a profit.
    - Free from significant control – The applicant business must be free from significant control by other concerns.

# Who Qualifies?

- Types of Qualifying Entities
  - For Profit Small Businesses not otherwise ineligible
  - Non-Profit Organizations not otherwise ineligible

# Who Qualifies?

## Types of Ineligible Entities

- Religious Organizations
- Charitable Organizations
- Consumer and Marketing Cooperatives
- Gambling Concerns
- Casinos & Racetracks
- Concerns Engaged in Illegal Activities
- Lending or investment concerns
- Speculative Activities
- Pawn Shops
- Real Estate Developers
- Multi-Level Sales distribution (Pyramid) concerns
- Concerns with principals incarcerated, on parole or probation.

# What Can an EIDL Cover?

- EIDLs provide the necessary working capital to help small businesses until normal operations resume.
  - Payroll
  - Rent/Mortgage
  - Utilities
  - Extraordinary expenses resulting from the disaster
  - Fixed debt
  - AP

# What Can an EIDL NOT Cover?

- Refinancing long term debt.
- Paying down or paying off loans provided, guaranteed, or insured by another Federal agency or a Small Business Investment Company. Federal Deposit Insurance Corporation (FDIC) and Resolution Trust Corporation (RTC) are not considered Federal agencies for this purpose.
- Payment of any part of a direct Federal debt, except IRS obligations.
- If a direct Federal debt is delinquent, SBA must have written documentation from the appropriate Federal agency explaining how the delinquency will be cured.

# Terms of EIDLs

- EIDL amounts and terms are based on applicant's financial position.
- EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere.
- Up to \$2,000,000 less business interruption insurance and other recoveries.
- Up to 30 years term.



# Additional Requirements for EIDLs

- EIDLs are credit driven loans.
  - All applicants must have a credit history acceptable to the SBA.
- All applicants must show the ability to repay the loans.
  - All applicants must provide personal financial statements
  - Tax returns (business/personal)

# Collateral Requirements for EIDLs

- Collateral is required for EIDLs over \$25,000
  - Lack of collateral will not disqualify an applicant.
  - SBA will require pledge of collateral available
  - Real estate is preferred

# Where to Apply

- <https://disasterloan.sba.gov/ela>
- Customer Service Center
  - 1-800-659-2955 / 1-800-877-8339 (TTY)

# What You Will Need to File

- Completed Application
- Tax Information
  - Most recent business filing
  - Will fill out authorization forms for prior 3 years (business and personal)
- Personal Financial Statement
- Schedule of Liabilities
- Patience

# Duplication of Benefit Provision

- Though members have expressed intent to not have EIDLs included as a duplication of benefit, no clarity has been provided on the topic.

# Questions?

# We Are Operating!

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