



How to Get COVID-19 Related SBA Disaster Loans

March 24, 2020 / By Jeremy Waitzman

Tips on Applying for Small Business Administration (SBA) Disaster Loans

On March 12, 2020, the U.S. Small Business Administration (“SBA”) announced the creation of a [disaster assistance loan program](#) to make “Economic Injury Disaster Loans” to COVID-19 impacted businesses. For general details about the program, you may also visit the [SBA’s dedicated page](#), which includes a link to an official application.

How to Get Approved for an SBA Disaster Loan

All states and territories in the United States have now been declared disaster areas on account of COVID-19, making businesses in those states eligible to apply for SBA disaster loans under the program.

The SBA has already received an extremely high volume of applications and anticipates even more in the coming days. So, if you are concerned about or already have liquidity needs, you should apply to the SBA program immediately.

Some Important Information and General Tips to Remember:

- Based on the sheer number of businesses applying for the loans, the SBA site is running very slowly. You may need to just keep trying and be sure to save your work as you proceed.
- In addition to applying to the SBA, you may also want to reach out to your

existing lenders to see what relief they can provide (e.g., flexible payment terms or larger available credit line) while awaiting the SBA's response.

- All companies are entitled to apply for the benefits. There is no limitation on size of company, either by revenue or employees, but do note the maximum loan amount of \$2 million.
- SBA indicates that the approval process is a minimum of 21 days. So, it is critical that the application is fully complete when you submit so as not to cause additional delays.
- Note that the application may only be filed electronically and requires the following additional documentation:
 - One year of tax returns (2018 if 2019 is not yet filed) for any borrower, any affiliated entity, and all owners with at least 20% ownership
 - Indication of 2019 performance (financial statements or tax return)
 - A minimum 6-month projection indicating the impact/loss of sales tied to coronavirus
 - A schedule of liabilities (i.e. of debt and capital leases)
 - A completed 4506-T form (request for copy of tax return) (note that if you separately complete this and save it to your computer, this will help to bypass a noted roadblock in the application process)
- The loan terms are intended to be reasonable (up to \$2M for working capital losses related to coronavirus at 3.75% for for-profit businesses; 2.75% for non-profits).
- The loan will be a direct term loan from the Treasury Department.
- Company owners are expected to pledge collateral (e.g., real estate, including primary residence).

- SBA disaster loan proceeds may not be used to pay off or consolidate debt.
- Payments on the loan are deferred for one year from the date of the loan and may have a repayment period as long as 30 years.
- Loans are being issued without a prepayment penalty.
- SBA has a dedicated disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov for questions.

I anticipate that future stimulus packages may include additional relief for business owners, including expanding SBA packages, so they may be administered directly by banks. In the meantime, unless you are in a very strong cash position, I strongly recommend utilizing the SBA disaster loan program ASAP.

For other timely tips on how to protect your business during the COVID-19 crisis, make sure to read Jonathan Friedland's '[You Will Survive! How Your Business Will Survive Coronavirus – a Crisis Management Plan.](#)'

About Jeremy Waitzman

Jeremy chairs the Corporate Group at the Sugar Law Firm (Sugar Felsenthal), a national boutique serving the affluent and the companies they own or otherwise control. He advises his clients on significant transactions and operational issues in their businesses. Described by clients as "an essential business advisor" and "a partner in the success of my business," Jeremy has substantial experience representing businesses of all types and sizes from inception, guiding them through significant growth, and often through ownership's exit. His clients include privately-held middle market and emerging growth companies, family offices/funds, investors, C-level executives, boards of directors, family-owned businesses and entrepreneurs. Jeremy counsels clients in the areas of corporate law, mergers & acquisitions, private placements, and general contract law. He represents individuals, closely held businesses, start-up companies and serves as outside counsel to several large corporations. His work with companies often includes strategies for the creation of enterprise value.

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