



ALERT – SBA Announces Disaster-Assistance Loan Program in Response to Coronavirus

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The U.S. Small Business Administration (SBA) was formed in 1953 to help small business owners and entrepreneurs, providing counseling, capital, and contracting expertise. In the wake of recent natural disasters (Hurricanes Michael and Florence), the SBA offered federal loans to assist small businesses impacted by such events. On Thursday, the SBA stated that it will provide disaster-assistance loans for up to \$2 million to small businesses affected by the Coronavirus (COVID-19) outbreak.

In its published release,¹ the SBA announced it is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus. The SBA noted, upon a request received from a state's or territory's Governor, that it will issue under its own authority, as provided by the Coronavirus Preparedness and Response Supplemental Appropriations Act that was recently signed by the President, an Economic Injury Disaster Loan declaration.

The SBA outlined the Economic Injury Disaster Loan program with the following general description:

- > Any such Economic Injury Disaster Loan assistance declaration issued by the SBA makes loans available to small businesses and private, non-profit organizations in designated areas of a state or territory to help alleviate economic injury caused by the Coronavirus (COVID-19).
- > SBA's Office of Disaster Assistance will coordinate with the state's or territory's Governor to submit the request for Economic Injury Disaster Loan assistance.
- > Once a declaration is made for designated areas within a state, the information on the application process for Economic Injury Disaster Loan assistance will be made available to all affected communities as well as updated on [the SBA] website: [SBA.gov/disaster](https://www.sba.gov/disaster).
- > SBA's Economic Injury Disaster Loans offer up to \$2 million in assistance and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- > These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible. The interest rate for non-profits is 2.75%.

¹ U.S. Small Business Administration, SBA Disaster Assistance in Response to Coronavirus (March 2020), <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>.

- > SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

The program may offer much needed assistance to small businesses. However, it remains to be seen how the application process will be rolled-out. For example, what factors determine whether credit is available elsewhere and what steps need to be taken to establish that credit is not available other than through the SBA program (*e.g.*, loan denial from a bank or credit union). Even after the application details are understood, how will the loan terms be negotiated and, perhaps most importantly, how quickly will access be made to the approved loans. Many small businesses are not capable of sustaining a short-term business disruption, which is the best case scenario in light of this dynamic and quickly evolving crisis.

Eligible candidates for the loans should act quickly in learning whether the SBA program is appropriate for their business needs and should consult with counsel on questions or concerns during the application and approval process.

This article is intended to serve as a summary of the issues outlined herein. While it may include some general guidance, it is not intended as, nor is it a substitute for, legal advice.



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