

U.S. Small Business Administration has approved all counties for the State of California for the COVID-19 event, this include the County of Monterey.

Are you a for-profit business? [Tell us about how COVID-19 has impacted your business.](#)

U.S. SMALL BUSINESS ADMINISTRATION FACT SHEET – ECONOMIC INJURY DISASTER LOANS

What is SBA assistance?

The U.S. Small Business Administration 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 (COVID-19). Upon a request received from a state's or territory's Governor, SBA 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.

Economic Injury Disaster Loans (EIDLs) are working capital loans to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period and provide the necessary working capital to help small businesses until normal operations resume. 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. EIDLs do not replace lost revenue, lost profits or fund expansion.

Credit Requirements:

- Credit History – Applicants must have a credit history acceptable to SBA.
- Repayment – Applicants must show the ability to repay the loan.
- Collateral – Collateral is required for all EIDL loans over \$25,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

Interest Rates: The interest rate is determined by formulas set by law and is fixed for the life of the loan. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%. The maximum interest rate for this program is 4 percent.

Loan Terms: The law authorizes loan terms up to a maximum of 30 years. SBA will determine an appropriate installment payment based on the financial condition of each borrower, which in turn will determine the loan term.

Loan Amount Limit: The law limits EIDLs to \$2,000,000 for alleviating economic injury caused by the disaster. The actual amount of each loan is limited to the economic injury determined by SBA, less business interruption insurance and other recoveries up to the administrative lending limit. SBA also considers potential contributions that are available from the business and/or its owner(s) or affiliates. If a business is a major source of employment, SBA has the authority to waive the \$2,000,000 statutory limit.

Loan Eligibility Restrictions: Noncompliance – Applicants who have not complied with the terms of previous SBA loans may not be eligible. This includes borrowers who did not maintain required flood insurance and/or hazard insurance on previous SBA loans. *Loan applicants should check with agencies / organizations administering any grant or other assistance program under this declaration to determine how an approval of SBA disaster loan might affect their eligibility.*

Refinancing: Economic injury disaster loans cannot be used to refinance long term debts.

Insurance Requirements: To protect each borrower and the Agency, SBA may require you to obtain and maintain appropriate insurance. By law, borrowers whose damaged or collateral property is located in a special flood hazard area must purchase and maintain flood insurance. SBA requires that flood insurance coverage be the lesser of 1) the total of the disaster loan, 2) the insurable value of the property, or 3) the maximum insurance available.

Who is eligible?

Economic Injury Disaster Loans are currently available **statewide in California** to small businesses and private, non-profit organizations to help alleviate economic injury caused by the Coronavirus (COVID-19). If your small business is in a declared disaster area and has suffered substantial economic injury, you may be eligible for an EIDL. Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. Determining eligibility for an EIDL begins with a four-part test:

- **Location:** The applicant business must have a physical presence in the declared disaster area. An applicant's economic presence alone in a declared area does not meet this requirement. The physical presence must be tangible & significant. Merely having a P.O. Box in the disaster area would not qualify as a physical presence.
- **Business Activity:** Primary Activity - The primary industry of the applicant & its affiliated group must be an otherwise eligible activity for the applicant to be eligible, regardless of the nature of the loss activity. (Primary activity based on revenues the year preceding the disaster). Loss Activity – The activity for which the loss is being claimed must be eligible.
- **Size:** The size of the applicant alone (without affiliates) must not exceed the size standard for the industry in which the applicant is primarily engaged; and the applicant combined with its affiliates must not exceed the size standard for either the primary activity of the applicant alone or the primary industry of the applicant and its affiliates, whichever is higher.
- **Independently Owned and Operated Business:** 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 (example: a crew member on a fishing boat would not be eligible). Free from significant control –The applicant business must be free from significant control by other concerns (e.g., the customers or businesses that pay for its services). Effect of IRS Guidelines –Merely filing a Schedule C with the Federal Tax Return does not qualify the individual as an independently owned and operated business.

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

Ineligible EIDL Applicants:

- Religious Organizations
- Charitable Organizations
- Consumer and Marketing Cooperatives (Except small agricultural Co- Ops)
- Gambling Concerns (Ex: Concerns that derive more than one-third of their annual gross revenue from legal gambling activities)
- Casinos & Racetracks (Ex: Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.
- Concerns Engaged in Illegal Activities
- Lending or investment concerns
- Speculative Activities
- Pawn Shop (Ex: If 50% or more of previous years income was derived from interest they are not eligible)
- Real Estate Developers (Ex: engaged in subdividing real property into lots and developing it for resale on their own account)
- Multi-Level Sales distribution (Pyramid) concerns
- Loan Packagers who derive 30% or more of their annual income from the preparation of applications seeking financial assistance from SBA.
- Concerns with principals incarcerated, on parole or probation. – The concern remains ineligible if the parole or probation is lifted solely because it is an impediment to obtaining a loan. Government owned entities – except for businesses owned or controlled by a Native American tribe.
- Political or Lobbying Concerns
- Concerns engaged in the sale of products or Services or Live performances of a prurient sexual nature.
- Concerns not located in a declared disaster area
- Concerns determined by SBA to have credit available elsewhere.
- Concerns involved in change in ownership situations – entities which had a substantial change of ownership (more than 50%) after the impending economic injury became apparent, and no contract of sale existed prior to that time are ineligible.

- Concerns established Post-Disaster – If a small concern was established after an impending economic injury became apparent, the owner assumed the risk and did not incur economic injury.
- Refinancing long term debt.
- Paying down (other than regular installment payments) 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, (including SBA loans) 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.

Application requirements and steps

Filing Requirements:

- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.
- Complete copies of the most recent Federal income tax returns for the applicant business; and an explanation if not available.
- Personal Financial Statement (SBA Form 413).
- Schedule of Liabilities (SBA Form 2202).

Additional Information May Be Necessary to Process Your Application. If Requested, Please Provide Within 7 Days of The Information Request:

- Complete copy, including all schedules, of the most recent Federal income tax return for each principal owning 20 percent or more, each general partner or managing member, and each affiliate when any owner has more than 50 percent ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.
- If the most recent Federal income tax return has not been filed, a year-end profit and-loss statement and balance sheet for that tax year
- A current year-to-date profit –and-loss statement
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures for will generally be required when requesting an increase in the amount of economic injury.

Applying for Assistance

- Applicants may apply online, receive additional disaster assistance information and download applications at <https://disasterloan.sba.gov/ela>. Applicants may also call SBA’s Customer Service Center at (800) 659-2955 or email disastercustomerservice@sba.gov for more information on SBA disaster assistance. Individuals who are deaf or hard-of-hearing may call (800) 877-8339. Completed

applications should be mailed to U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.

- After the initial credit check, a SBA loss verifier estimates the total cost to repair or replace damages. The SBA loan officer reviews applications and guides applicants through the process.
- If approved, SBA contacts applicants to discuss the loan. A case manager assists with closing the loan and scheduling disbursements



The Three Step Process: Disaster Loans

About Disaster Loans

The U. S. Small Business Administration (SBA) provides low-interest, long-term disaster loans to businesses of all sizes, private non-profit organizations, homeowners, and renters to repair or replace uninsured/underinsured disaster damaged property. SBA disaster loans offer an affordable way for individuals and businesses to recover from declared disasters.



- Apply: 1) online; 2) in-person at a disaster center; or 3) by mail.
- Apply online at the SBA's secure website disasterloan.sba.gov/ela.
- As a business of any size, you may borrow up to \$2 million for physical damage.
- As a small business, small agricultural cooperative, small business engaged in aquaculture, or private non-profit organization you may borrow up to \$2 million for Economic Injury.
- As a small business, you may apply for a maximum business loan (physical and EIDL) of \$2 million.
- As a homeowner you may borrow up to \$200,000 to repair/replace your disaster damaged primary residence.
- As a homeowner or renter, you may borrow up to \$40,000 to repair/replace damaged personal property.



- SBA **reviews your credit** before conducting an inspection to verify your losses.
- An SBA verifier will **estimate** the total physical loss to your disaster damaged property.
- A loan officer will determine your **eligibility** during processing, after reviewing any insurance or other recoveries. SBA can make a loan while your insurance recovery is pending.
- A loan officer works with you to provide all the necessary information needed to reach a loan determination. Our goal is to arrive at a decision on your application within 2 - 3 weeks.
- A loan officer will contact you to discuss the loan recommendation and your next steps. You will also be advised in writing of all loan decisions.



- SBA will prepare and send your Loan Closing Documents to you for your signature.
- Once we receive your signed Loan Closing Documents, an initial disbursement will be made to you within 5 days:
 - Physical damage:
 - \$25,000
 - Economic injury (working capital):
 - \$25,000 (In addition to the Physical damage disbursement)
- A case manager will be assigned to work with you to help you meet all loan conditions. They will also schedule subsequent disbursements until you receive the full loan amount.
- Your loan may be adjusted after closing due to your changing circumstances, such as increasing the loan for unexpected repair costs or reducing the loan due to additional insurance proceeds.

For more information or to find a local disaster center, contact SBA's Customer Service Center at 1-800-659-2955 (TTY: 1-800-877-8339).

sba.gov/disaster
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Frequently Asked Questions

How do I begin the loan application process?

Homeowners and Renters: Submit a completed loan application and a signed and dated IRS form 4506-T giving permission for the IRS to provide SBA your tax return information.

Businesses in addition to the application and the IRS Form 4506-T we will also need current information such as a personal financial statement, a schedule of liabilities and a copy of your

most recently filed Federal income tax return. Additional information may be required depending on individual circumstances.

I have registered with the Federal Emergency Management Agency (FEMA) and was referred to the U.S. Small Business Administration (SBA). I don't have a small business, so why do I need to apply to SBA?

For disaster damage to private property that is not fully covered by insurance, the basic form of Federal disaster assistance is an SBA disaster loan. SBA is the primary source of Federal money for long-term disaster recovery. Non-farm businesses (including rental properties) of all sizes as well as homeowners, and renters, whose property was damaged as a result of a declared disaster, should apply for a low-interest SBA disaster loan.

I have already received money from FEMA. Does that mean I still need to apply to SBA for a disaster loan?

If your home was destroyed or was not habitable, you may have received money to pay for temporary accommodations elsewhere. If your home was not livable, you may have received money to pay for essential repairs so you could stay there. In both cases, FEMA funds were not intended to pay for all the costs of repairing your damaged home, or for replacing your personal property. SBA disaster loans are available to cover the amount of your repair costs that have not already been fully compensated.

I don't think I can afford a loan. Why should I apply?

If you are a homeowner or renter and SBA determines you cannot afford a loan, SBA will automatically refer you to FEMA's Other Needs Assistance (ONA) program. The FEMA program is a safety net available only to individuals and families, and is not available to businesses. It is intended to help meet essential needs not met by any other form of assistance, including SBA disaster loans. Please note that if you were referred to SBA for assistance and do not complete the SBA loan application you cannot be referred to FEMA even if SBA were to determine you cannot qualify for a loan.

Should I wait for my insurance settlement before I file my loan application?

No. Do not miss the filing deadline by waiting for an insurance settlement. SBA can approve a loan for the total eligible losses within the administrative guidelines and later adjust the loan eligibility or balance if insurance funds are received.

How much can I borrow?

The amount SBA will lend depends on the cost of repairing or replacing your business and business contents or home and personal property, minus any insurance settlements or grants. SBA may send an inspector to estimate the cost of your damage once you have submitted your

loan application. Renters and homeowners alike may borrow up to \$40,000 to repair or replace personal property. Homeowners may apply for up to \$200,000 to repair or replace their disaster damaged residence. Businesses of all sizes may apply for a Physical Disaster Loan and small businesses, small agricultural cooperatives and private non-profit organizations may be eligible for economic injury. These loans could not exceed \$2 million to repair or replace damaged property or economic injury. SBA can also lend additional funds up to 20 percent of the verified losses to help make improvement to the property (both real and contents) that protect, prevent or minimize the same type of disaster damage from occurring in the future (mitigation).

What is the interest rate and how long do I have to pay off this loan?

The interest rate on these loans is determined by law. SBA assigns an interest rate to a loan based on the resources available to an applicant. The lower interest rate will not exceed 4 percent and the interest rate associated with current market rate will not exceed 8 percent. The rates are fixed for the term of the loan. Please refer to the [Fact Sheet link for the declared disaster](#) for which you are applying.

Is collateral required for these loans?

Loans which exceed \$25,000 must be secured to the extent possible. SBA will not decline a loan if you don't have enough collateral, but will ask for whatever collateral is available which may include real estate owned by a business' principals. We may also take a lien on the damaged residential property.