

Los Angeles Regional
**SMALL BUSINESS
DEVELOPMENT CENTER**

Economic Injury Disaster Loan Overview



Funded in part through a cooperative agreement with the U.S. Small Business Administration.

MARCH 25, 2020



SMALL BUSINESS ADMINISTRATION ECONOMIC INJURY DISASTER LOANS (*EIDL*S)

Larry Johnson

Small Business Development Center (SBDC)

Hosted by El Camino College

13430 Hawthorne Blvd.

Hawthorne, CA 90250

310-225-8277

<https://southbaysbdc.org>



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with the U.S. Small Business Administration.



SBDC ASSISTANT SERVICES

For Beverly Hills—Services Offered by SBDC

- **Business Planning**
- **Finance**
- **Marketing**
- **Public Relations**
- **Contracting**
- **Legal**
- **Social Media**
- **Market Research**
- **Import/Export**



SBA RESPONSE TO COVID-19

- The U.S. Small Business Administration's (SBA) low-interest Economic Injury Disaster Loans (EIDLs) are now available to small businesses, small agricultural cooperatives, small aquaculture businesses and private nonprofit organizations affected by the loss of revenue due to the Coronavirus.
- SBA Administrator Jovita Carranza made the loans available in response COVID-19.



Jovita Carranza

RESPONSE HIGHLIGHTS



- Congress has allocated funds specifically for EIDL loans
 - Loans up to \$2 million
 - 3.75% fixed-for profit, 2.75% fixed-for nonprofit,
 - No fees/costs
 - Up to 30-year term,
 - Payments deferred up to 1 year
 - Loans direct from US Treasury (*not traditional lenders*)
 - SBA determines loan amount
 - Approximately 50-60-day disbursement from receipt of your documentation
- Congress is considering additional economic packages to support small business needs
- Funds borrowed from EIDL used for payroll and rent may be forgiven



EMERGENCY INJURY DISASTER LOANS

SBA Disaster Assistance Loans



- If your small business is in a declared disaster area (*California*) and has suffered substantial economic injury, you may be eligible for an EIDL.
- EIDLs are available to qualified small businesses and nonprofits.
- Economic injury need is determined by the SBA depending on circumstances and information provided.
- EIDLs provide the necessary working capital to provide relief due to the impact of the disaster.

EIDL ELIGIBILITY



Determining eligibility for an EIDL begins with a four-part test:

- Location (*declared disaster area*)
- Business Activity (*eligible as SBA standards*)
- Size as per SBA standards
- Independently Owned and Operated Business

EMERGENCY INJURY DISASTER LOANS

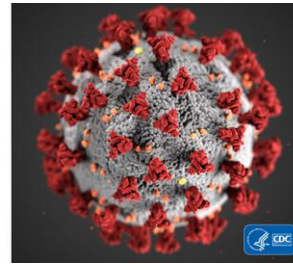


- EIDLs are available to small businesses small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations

- *Examples of eligible businesses:*
 - Businesses directly affected by the disaster that are not ineligible
 - 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

EIDLs OVERVIEW

COVID-19:
Guidance for
Small Businesses
sba.gov/coronavirus



- Help meet working capital needs caused by the declared disaster
- Help pay financial obligations and operating expenses which could have been paid had the disaster not occurred
- Payroll, accounts payable, etc. Extraordinary expenses caused by the disaster
- EIDLs **DO NOT** replace lost revenue, lost profits or fund expansion



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LOAN TERMS

- Apply online for an SBA EIDL
- Contact local SBDC for help!

- Loan amounts and terms (*up to 30 years*) are set by SBA
- Fixed Interest Rate: 3.75%--**for profit**, 2.75%--**non-profit**
- No costs or fees
- Loan Deferments up to 1 year (*may be forgiven if used for rent & payroll*)
- Economic Injury Disaster Loans **Maximum Limit** is \$2,000,000, less Business Interruption Insurance.
- *Special Note—for existing SBA loans-- expedited loan deferments can be requested for 3-6 months with possibility to extend another 6 months if warranted*

CREDIT REQUIREMENTS



Credit History

- Applicants must have a credit history that is acceptable to SBA
- Applicants must show the ability to repay all loans.

COLLATERAL REQUIREMENTS



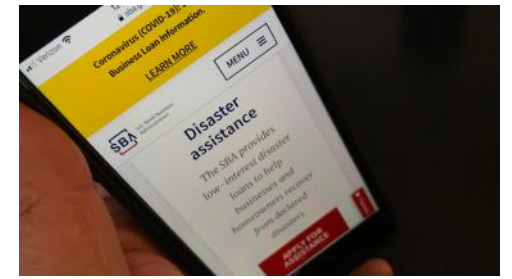
- EIDLs over \$25,000 may require collateral
- SBA takes real estate as collateral when it is available
- SBA will not decline a loan for lack of collateral BUT require borrowers to pledge what is available.

ADD'T INFO *MAY BE* REQUIRED

If required pls. provide within 7 days of request

- Applications for amounts >\$500,000 may require additional information.
- All principals owning 20 percent or more, each general partner or managing member & each affiliate when any owner has more than 50 percent ownership in the affiliate business must sign and submit 4506-T (*Tax Transcript Authorization*)
- 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 is required
- 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.

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 must be conducting an eligible activity.

➤ **Note:**

Primary activity based on revenues the year preceding the disaster

INDEPENDENTLY OWNED AND OPERATED



- **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 (*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.

INELIGIBLE USES OF EIDL PROCEEDS



- REFINANCING LONG TERM DEBT
- PAYMENT OF ANY PART OF DIRECT FEDERAL DEBT (*including SBA loans*) EXCEPT IRS OBLIGATIONS.
- IF A DIRECT FEDERAL DEBT IS DELINQUENT, SBA MUST HAVE WRITTEN DOCUMENTATION FROM APPROPRIATE FEDERAL AGENCY EXPLAINING HOW DELIQUENCY WILL BE CURED.
- 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.

INELIGIBLE EIDL APPLICANTS



- Religious & 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
- Loan Packagers who derive from prep of applications seeking financial assistance from SBA
- Concerns with principals incarcerated, on parole or probation.
- Government owned entities
- Political or Lobbying Concerns
- Businesses engaged in product/services sale or live performances of a prurient sexual nature

EIDL LOAN & DISBURSEMENT PROCESS



- Apply: 1) online at disasterloan.sba.gov/ela 2) in-person at a disaster center; or 3) by mail.
- Fill-out Disaster Business Loan Form (***SBA Form-5C***)—make sure FOR QUESTION 1 **check box (*shown next page*) next to ECONOMIC INJURY (EIDL)**

- SBA will prepare and send your Loan Closing Documents to you for your signature—
(current estimated timeframe 30-45 days after acceptance of all required documents).
- Initial disbursement will be made within 5-7 days after receipt of signed Loan Closing Documents
- A case manager will be assigned to work with you to help meet all loan conditions. They will also schedule subsequent disbursements until you receive full loan amount.

DISASTER BUSINESS LOAN APP (SBA-FORM 5C)

U.S. Small Business Administration DISASTER BUSINESS LOAN APPLICATION		CMB No. 3247 Expiration 08/2	
FOR SBA INTERNAL USE ONLY		Date Received _____	Location _____ By _____
Physical Declaration Number	_____	Filing Deadline Date	_____
Economic Injury Declaration Number	_____	Filing Deadline Date	_____
FEMA Registration Number (if known)	_____	SBA Application Number	_____
1. ARE YOU APPLYING FOR:			
<input type="checkbox"/> Physical Damage -- Indicate type of damage <input type="checkbox"/> Real Property <input type="checkbox"/> Business Contents		<input type="checkbox"/> Military Reservist EIDL (MREIDL) <small>(complete the following)</small> * Name of Essential Employee _____ * Employee's Social Security Number _____	
<input checked="" type="checkbox"/> Economic Injury (EIDL)			
PLEASE PROVIDE ALL INFORMATION OR DOCUMENTATION REQUESTED IN THE ATTACHED FILING REQUIREMENTS. <small>* For information about these questions, see Attached Statements Required by Laws and Executive Orders.</small> Apply online at https://disasterloan.sba.gov/ela/ OR send completed applications to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, Texas 76155			
2. ORGANIZATION TYPE *Sole Proprietors should complete form 5C			
<input type="checkbox"/> Partnership <input type="checkbox"/> Limited Partnership <input type="checkbox"/> Limited Liability Entity <input type="checkbox"/> Corporation <input type="checkbox"/> Nonprofit Organization <input type="checkbox"/> Trust <input type="checkbox"/> Other: _____			
3. APPLICANT'S LEGAL NAME		4. FEDERAL E.I.N. (if applicable)	
5. TRADE NAME (if different from legal name)		6. BUSINESS PHONE NUMBER (including area code)	
7. MAILING ADDRESS <input type="checkbox"/> Business <input type="checkbox"/> Home <input type="checkbox"/> Temp <input type="checkbox"/> Other _____			
Number, Street, and/or Post Office Box		City	County State Zip
8. DAMAGED PROPERTY ADDRESS(ES) BUSINESS PROPERTY (If you need more space, attach additional sheets.) <input type="checkbox"/> Same as mailing address <input type="checkbox"/> Owned <input type="checkbox"/> Leased			
Number and Street Name		City	County State Zip
9. PROVIDE THE NAME(S) OF THE INDIVIDUAL(S) TO CONTACT FOR:			
Loss Verification Inspection		Information necessary to process the Application	
Name		Name	
Telephone Number		Telephone Number	
10. ALTERNATE WAY TO CONTACT YOU			
<input type="checkbox"/> Cell Number		<input type="checkbox"/> E-mail	
<input type="checkbox"/> Fax Number		<input type="checkbox"/> Other	
11. BUSINESS ACTIVITY:		12. NUMBER OF EMPLOYEES (pre-disaster):	
13. DATE BUSINESS ESTABLISHED:		14. CURRENT MANAGEMENT SINCE:	
15. AMOUNT OF ESTIMATED LOSS: <small>If unknown, enter a question mark</small>		<input type="checkbox"/> Real Estate _____ <input type="checkbox"/> Machinery & Equipment _____ <input type="checkbox"/> Inventory _____ <input type="checkbox"/> Leasehold Improvements _____	
16. INSURANCE COVERAGE (IF ANY) (If you need more space, attach additional sheets.)		Coverage Type:	
Name of Insurance Company and Agent			
Phone Number of Insurance Agent		Policy Number	



➤ The EIDL for COVID-19 are called ECONOMIC INJURY LOAN ON SBA-5C application form

➤ Please make sure and ONLY check the box—on page 1 of application as shown

➤ This should help the process flow smoothly

➤ Thank you!

SBA RESOURCES



- SBDC Hosted by El Camino College
- For additional information, visit:
- Call SBA's Customer Service Center at:
- SBA Los Angeles District Office:

southbaysbdc.org

(make sure and sign up as a client)

sba.gov/disaster

1-800-659-2955

sba.gov/ca/la



LOOKING TO AVOID LAYOFFS?



Contact EDD:

- Make sure to check out the ***Unemployment Insurance (UI) Work Sharing Program***.
- This program allows employees to retain workers by reducing hours and wages no more than 60 percent and partially offsetting the wage loss with UI benefits.
- This helps to avoid the cost of recruiting, hiring, and training new workers and helps workers keep their jobs and receive some financial support with UI benefits.
- With this program your workers can file for unemployment benefits if they are unemployed and otherwise eligible.



NEED TO LAY OFF EMPLOYEES?



Contact EDD:

- Your workers can file for unemployment benefits as long as they are unemployed and otherwise eligible.
- Workers who expect to return to work for you within a few weeks are not required to actively seek work each week as long as they are able and available to return to work during their unemployment and meet all other eligibility criteria.
- The EDD will explain the requirements to your workers when they apply for benefits



CASH FLOW DRIED UP?



Make Sure and Contact Your:

- **Local bank**—as they have “*bank-specific*” loans for emergency times + most are waiving fees & have created payment deferral programs.
- **California I-Bank**—offer emergency loans for eligible nonprofits and businesses (*<750 employees up to \$20 million with maximum guarantee of \$1 million*)
- **California I-Bank Jumpstart**—offer loans to low-to-moderate income business owners (*\$500-\$10,000*)
- **LA City/LA County** have developed & introduced COVID-19 emergency loan programs
- **Facebook** is offering \$100 million to 30,000 eligible small business owners worldwide

BILLS PILING UP?



Make Sure and Contact:

- **Insurance Agent**--Most business insurance policies have coverage for business interruption
- **Credit Card Companies**--Most are deferring payments & offering better interest rates
- **Mortgage Company**-- To renegotiate terms and defer payments
- **Landlord**--To negotiate better payment terms and defer payments (*Keep in mind landlords would prefer to re-negotiate better terms than kick you out & look for new tenants*)



NEED FOOD?



- **Grocery Lines are Long & Shelves are Empty**—Stores are doing their best to stay stocked. Most items are available—although perhaps not your favorite brand. (*There is no reason for “panic-buying”!*)
- **Local Restaurants, Coffee Shops**—To stay in business—most local establishments are selling eggs, bread, milk, fruit, vegetables and even toilet paper. (*This is a great way to buy staples, avoid long lines and support the local economy as well.*)



OTHER THINGS TO KEEP IN MIND



All Business Owners need to:

- Listen, Understand and Respond to your clients—make sure to be transparent, mindful and sensitive
- Create a Sense of Community—talk to loved ones, stay connected to employees, ask questions and get facts from national, state and local experts (*WHO, CDC, SBA & SBDC*)
- Provide answers, reassurance and leadership

