**SBA Disaster Loan: Prepare for the Application**

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The Small Business Administration (SBA) Disaster Loan Program has emerged as a key economic tool for businesses to survive the current coronavirus crisis. Over the last few days we have begun investigating the lending criteria, business size and type of business that such a loan program might help. This knowledge would help determine which clients may be eligible for the program, have a sense of what funds might be available and determine if it makes sense to apply. While we have not been able to obtain answers to many of these questions, we are working with clients to help complete this application. We’d like to share what we have learned from that process.

**Businesses applying for the SBA Disaster Loan as a result of the current coronavirus crisis will be applying for the SBA’s Economic Injury Disaster Loan (EIDL) program.**

EIDL is available to victims of disasters that caused no physical damage to property—unlike, for example, damages sustained due to a hurricane or tornado. EIDLs are meant to provide businesses with working capital and cannot exceed $2,000,000 by law. The actual amount that will be loaned to a business is ultimately determined by SBA’s determination of what the business’s actual economic injury was combined with the business’s financial need. In addition, the SBA takes into consideration the assistance available through business interruption policies and non-government sources, such as the business owner’s personal savings or credit that maybe available from banks.

Borrowers must have a credit history that is acceptable to SBA and demonstrate an ability to repay any borrowings. For loans in excess of $25,000 the SBA expects the business to pledge any available collateral. The SBA states that it will not deny a loan for lack of collateral; however, we expect that what they are ultimately willing to lend will be helped by sufficient collateral.

***If multiple businesses are owned, careful consideration should be given to which business makes this loan application. A business that has historically generated losses and that has no collateral may have difficulty obtaining or maximizing the financing available.*** Businesses should consult with their advisors on an appropriate strategy.

As one might expect, the SBA requires a significant amount of information in the loan application process. Having this information available will expedite the process. The intention of the listing below is to help businesses gather the information necessary in order to expedite the loan application process. This listing is not all inclusive.

* Legal name, address, federal Employer Identification number (EIN), business phone number
* The date the entity was established and the years under current management
* The names and contact information of the individuals whom SBA can contact for a Loss Verification Inspection and additional information necessary to process the application
* Name, address, social security number, date of birth, title, phone number, email address and business ownership percentage for each owner of the business
* If any owner of the business applying also owns a more than 50% interest in another business, you must be prepared to provide the name, address, EIN and your ownership % of each of those businesses
* If the business applying for the SBA Disaster Loan has a greater than 50% ownership interest in another business entity you must be prepared to provide information about that entity
* Personal Financial Statements must be completed for each owner of the business; the following is needed to complete the Personal Financial Statement:
  + A listing of investments owned (# of shares, description, share price)
  + A listing of real estate owned, related mortgage, monthly payment
    - Name, address and account number of the mortgage holder is required
  + The value of cash, receivables, personal property
  + The amount of payables and other debts
  + The amount of liabilities that you are contingently liable for (i.e. what is the dollar value of loans that you guarantee)

***Please note that you must provide an “as of” value date of your assets. Previously we discussed that the amounts SBA will loan take into consideration other resources that you have available. Please give careful consideration to which date you are using in assembling the value of your assets, as the value of your retirement accounts and brokerage accounts at January 31, 2020 will most likely differ significantly from the value at March 20, 2020.***

* A schedule of liabilities must be completed for the business, i.e. outstanding loans
* SBA will request a transcript of the tax returns for the business applying, each of the businesses that you own more than 50% of and a transcript of each owner’s individual tax returns
  + This requires signatures of the appropriate taxpayers and the signed form can be uploaded to the SBA site

SBA is encouraging businesses to apply for a disaster loan on their website <https://disasterloan.sba.gov/ela/>.