

# SBA ECONOMIC INJURY DISASTER LOAN PROCESS

On Monday, March 23, 2020, a webinar was conducted to cover the process for applying for an SBA Economic Injury Disaster Loan by Michael Ashcraft, Senior Area Manager (Louisville) for the U.S. Small Business Administration (SBA), David Oetken, Center Director for the Louisville Small Business Development Center and Toni Sears, Asst. Center Director for Louisville Small Business Development Center.

The following is a review of the program and how to apply.

## PROGRAM DESCRIPTION:

SBA will make loans up to \$2,000,000.00 available to meet financial obligations and operating expenses that could have been met by the qualifying small business or non-profit organization had the Coronavirus/COVID-19 pandemic disaster not occurred. Terms up to 30 years with fixed rates of 3.75% for small businesses 2.75% for non-profits. The SBA will make the determination of loan size based on your economic loss from the information submitted with your application.

## ELIGIBILITY:

Qualifying small businesses and non-profits operating in states or territories covered by an U.S. SBA Economic Injury Disaster Loan assistance declaration related to the Coronavirus/COVID-19 pandemic disaster (check SBA website for up-to-date declarations) who have suffered a “substantial economic injury” as a result of the Coronavirus/COVID-19 pandemic. “Substantial economic injury” means the applicant small business or non-profit presently is unable to meet its obligations to pay its ordinary and necessary operating expenses, such as rent or payroll.

## How to Apply

These loans are being made directly by the SBA and not through its approved lender network, so they are highly recommending applications be made online.

## HERE'S THE LINK FOR THE ONLINE PROCESS:

- <https://disasterloan.sba.gov/ela/Account/LoginReturnUrl=%2Fela%2FLoanApplication%2FStartApplication>

## TECHNICAL MATTERS:

- The website will be experiencing high volume so delays and interruptions of service can be expected. Some browsers may work better than others. Pop-ups need to be enabled for the online loan application process to work properly.
- Mail-in applications can be accepted but this will likely slow the review and approval process significantly

## SBA CUSTOMER SERVICE HOTLINE:

- 1-800-659-2955

## SBA INDICATES THE FOLLOWING COMMUNICATION TIMELINE:

- Upon submission of your application you will receive an email with your Case #
- Within 2-3 days you should receive another email communication from the SBA regarding the review of your information and acceptance or the need for any additional information or clarifications needed
- Approval will likely take 2-3 weeks from acceptance of the application



## FORMS TO COMPLETE

The following is a walk-thru of the forms you will need to complete to file your application. All of these forms are mirrored in the online application. The SBA recommends you complete the forms manually then go online and apply to facilitate the application process.

- Documentation Required per SBA Guidance

BUSINESSES
<ul style="list-style-type: none"><li>• Business Loan Application (SBA Form 5) completed and signed by business applicant.</li><li>• IRS Form 4506-T completed and signed by Applicant business, each principal owning 20% or more of the applicant business, each general partner or managing member and, for any owner who has more than a 50% ownership in an affiliate business. (Affiliates include business parent, subsidiaries, and/or businesses with common ownership or management).</li><li>• Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business; an explanation if not available.</li><li>• Personal Financial Statement (SBA Form 413) completed, signed and dated by the applicant (if a sole proprietorship), each principal owning 20% or more of the applicant business, each general partner or managing member.</li><li>• Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used).</li><li>• ADDITIONAL INFORMATION THAT MAY BE NECESSARY TO PROCESS YOUR APPLICATION:<ul style="list-style-type: none"><li>• Complete copies, including all schedules, of the most recent Federal income tax returns for each principal owning 20% or more of the applicant business, each general partner or managing member, and each affiliate when any owner has more than a 50% ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.</li><li>• 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 acceptable.</li><li>• A current year-to-date profit and loss statement.</li><li>• Additional Filing Requirements (SBA Form 1368) providing monthly sales figures.</li></ul></li></ul>

- Form 5C – U.S. Small Business Administration – DISASTER HOME/SOLE PROPRIETOR LOAN APPLICATION
  - This form is for self-employed individuals. On the first box under “Are you applying for:” you need to check the box “Sole Proprietor -Economic Injury”
  - The rest of the form is self-explanatory – follow the instructions within the form
- Form 5 – U.S. Small Business Administration – DISASTER BUSINESS LOAN APPLICATION
  - This form is for incorporated businesses. On the box under “Are you applying for:” you need to check the box “Economic Injury (EIDL)”
  - Again, the rest of the form is self-explanatory – follow the instructions within the form
- IRS Form 4506-T – Disaster Request for Transcript of Tax Return



- This form grants the SBA permission to request your tax returns from the IRS directly – you must complete this form. **HOWEVER, the SBA strongly recommends you UPLOAD all of your tax returns directly with your application and not rely on the IRS to act on this request given the urgency of the situation.**
- Personal Financial Statement – Any form will do but we have included a link to an Excel spreadsheet that will assist you. A note – if you are self-employed and don't have wages, just report your self-employment income as Other Income on the worksheet
- Form 2202 – Schedule of Liabilities
  - This form is used to list all debt obligations you owe within your business
  - The SBA director also noted you might want to list your personal debt obligations in a separate section – not that these can be repaid directly through this loan but could help support the SBA's evaluation of your need for the disaster loan
- Form 1368 – U.S. Small Business Administration – ADDITIONAL FILING REQUIREMENTS – ECONOMIC INJURY DISASTER LOAN (EIDL), AND MILITARY RESERVIST ECONOMIC INJURY DISASTER LOAN (MEIDL)
  - Note, the SBA is relaxing its requirements that you must have NO Other sources of working capital – not eliminating this requirement but will be more lenient when considering this specific loan request
  - The first page is 3 complete fiscal years of revenues by month – the first column of the worksheet is the month name and the next 3 columns are for each of the 3 preceding years then the last column; the final column is for the current year listing every month available
  - The second page of this form is where you build your case for your Expected Economic Loss due to the disaster. The SBA suggests you forecast a minimum of 3 months but recommend 6 to 9 months if possible. This is your forecast of what your business will look like as affected by the impacts of the disaster. The SBA will use this information in comparison to your historical results to develop their loan amount recommendation.
  - At the bottom of the second page or on an additional attachment, the SBA recommends you provide any additional narrative or financial information that might be helpful in establishing your economic loss – THIS IS HIGHLY RECOMMENDED

#### OTHER

- According to the SBA, you can and should upload all the other information as noted in the Required Documentation box above, including most importantly your income tax returns. Err on the side of providing MORE INFORMATION. You want to help the SBA approve your application as quickly as possible so the fewer questions, the quicker approval will be granted.
- Again, **PRINT** all the forms below and fill them out manually before you go online to complete your application
- **BOTTOM LINE – APPLY NOW – Urgency is critical.** The advice of the SBA representative was to APPLY as soon as you can and in the event, you don't need the loan you can turn it down. The system may very well get overloaded with millions applying and approvals will likely be affected as time goes on.

#### DOCUMENTS REQUIRED FOR APPLICATION (SOME OF THESE ARE COVERED IF APPLYING ONLINE):



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*"If you don't like change, you'll like irrelevance even less."*

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- [SBA Disaster Resources](#)
- [SBA 3 Step Process](#)
- [SBA Loan App Sole Proprietor](#)
- [SBA Loan App LLC, Corp, Partnership, etc.](#)
- [Fee Disclosure Form](#)
- [Instructions for IRS Form 4056-T](#)
- [IRS Form 4056-T](#)
- [Personal Financial Statement](#)
- [Schedule of liabilities](#)
- [Monthly Sales Figures](#)

