

## SBA Disaster Assistance Update

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The U.S. Small Business Administration (SBA) has options for businesses that have been disrupted or otherwise affected by the COVID-19 pandemic. The pandemic has caused business disruption or economic injury for many businesses. The pandemic has altered normal business operation as well as access to employees and customers, ultimately resulting in loss of sales. The President has signed the CARES (Coronavirus Aid, Relief, and Economic Security) Act into law. The CARES Act provides potential relief for employees and businesses. The CARES act and its four main provisions through SBA are further explained at the end of this article.

The CARES Act contains five main provisions, explained as follows:

1. The [Paycheck Protection Program](#) (PPP) allows employers to keep paying employees. An added incentive of the PPP is that “SBA will forgive all loans if all employees are kept on payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities”. Obligations starting as of February 15, 2020 are eligible to be covered.
  - a. Application timeframe: April 3<sup>rd</sup>, 2020 - June 30<sup>th</sup>, 2020. Funds are dispersed on a first-come-first served basis.
  - b. Independent contractors and the self-employed can apply as of April 10<sup>th</sup>.
  - c. Who can qualify: Small businesses with less than 500 employees (from sole proprietorships to LLC’s, non-profits, Tribal businesses, and veterans organizations).
  - d. Extra details: Loans will be fully forgiven if the loan is used for qualifying expenses (payroll, mortgage interest, rent, and utilities). At least 75% of the loan amount must be applied toward payroll for loan to be fully forgiven.
  - e. The loan needs to be repaid in two years and has an interest rate of 1%.
  - f. Application sites: Include but not limited to an existing SBA 7(a) lender, federally insured depository institution, federally insured credit union, Farm Credit System institution, and other regulated lenders as they are approved and enrolled.
2. Economic Injury Disaster Loans (EIDL) is a loan that provides relief for economic losses caused by a disaster (including this pandemic). It is basically a working capital loan. This is a loan and is **not** forgivable. You must apply directly to [SBA](#).
  - a. Eligibility:
    - i. Applies to small businesses including farms, sole proprietors, independent contractors, and self-employed.
    - ii. To get the EIDL Advance you must apply for EIDL. You can get the advance (up to \$10,000) even if you do not get approved for the EIDL.
  - b. Terms:
    - i. There are no upfront fees or early payment penalties
    - ii. Can apply for up to \$2 million
    - iii. Interest rate is 3.75% for for-profit businesses and 2.75% for non-for profits

- iv. Terms can go up to 30 years, it will depend on your ability to repay the loan
  - v. Loans of \$25,000 or less do not require collateral
  - vi. You can borrow up to \$200,000 without a personal guarantee
  - vii. Approval can be based on credit score
3. [Economic Injury Disaster Loan Emergency Advance](#) is a loan advance program that can provide up to \$10,000 of economic relief to businesses that are being affected by COVID-19.
  - a. Who can qualify: Businesses with fewer than 500 employees and those businesses with over 500 employees if they meet SBA's size standards for their given industry.
  - b. Extra details: Funds can be made available within days of an application being submitted. This loan advance does not need to be repaid.
4. The [SBA Express Bridge Loan Pilot Program](#) is available for small businesses that have an urgent need for cash. The loans can be up to \$25,000.
  - a. Who can qualify: Small businesses with an already-established relationship with an SBA Express Lender.
  - b. Extra details: These loans provide quick funds to help small businesses overcome a temporary revenue loss. The loan will eventually be repaid in full or partially by the EIDL loan (Economic Injury Disaster Loan, mentioned above).
5. [SBA Debt Relief](#) is a program to provide a break from SBA debt repayments.
  - a. Who can qualify: Small businesses with SBA loans (current 7(a), 504, and microloans) that are under "regular servicing" status as of March 1<sup>st</sup>, 2020.
  - b. Extra details: SBA will pay principal, interest, and fees for six months for current SBA loans. In addition, SBA will pay principal, interest, and fees of new loans issued before September 27, 2020. Under the six-month period, interest will continue to accrue.

After knowing that the CARES Act contains, small businesses should have two main questions: 1) Has SBA assistance helped businesses in the past? and 2) If so, by how much did the assistance help? Tomoko Hiramatsu and Maria Marshall explored the impact of SBA disaster loans following Hurricane Katrina. They found that when a business received an SBA disaster loan, that business was positively affected in both objective and subjective business performance (i.e. perceived success and percent change in revenue from before to after Hurricane Katrina). Overall, disaster loans did help businesses to recover from Hurricane Katrina.

*There is no doubt that during this unprecedented time, you are feeling some unease stemming from the pandemic, whether it is at home, at your business, or both. [PIFB released a special edition newsletter](#), specifically geared to aid your business through this difficult time. The focus of this newsletter is resiliency and sustainability for farms, family businesses, and small businesses. [Please continue to check our website as we will be continually adding resources, upcoming events, and other relevant updates.](#)*

**References**

Hiramatsu, T. and M.I. Marshall. (2018). “The long-term impact of disaster loans: The case of small businesses after Hurricane Katrina”. *Sustainability*, 10, 2364. [https://www.researchgate.net/publication/326275277\\_The\\_Long-Term\\_Impact\\_of\\_Disaster\\_Loans\\_The\\_Case\\_of\\_Small\\_Businesses\\_after\\_Hurricane\\_Katrina](https://www.researchgate.net/publication/326275277_The_Long-Term_Impact_of_Disaster_Loans_The_Case_of_Small_Businesses_after_Hurricane_Katrina).

U.S. Small Business Administration. Coronavirus relief options website: <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>.