

SBA Disaster Relief Loans Offer Lifeline To Small Businesses Amidst Covid-19 Uncertainty

March 25, 2020

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The wide reaching economic effects of the COVID-19 virus have placed substantial economic pressure on domestic small businesses. Specifically, government mandated business closures have left many small businesses with zero cash flows and no option but to close their doors for the foreseeable future. Understanding the bind that the virus has placed on small businesses, the U.S. Small Business Administration (SBA) recently announced that it would invoke the Economic Injury Disaster Loan (EIDL) program for businesses affected by the economic hardships of the COVID-19 pandemic.

What is an EIDL?

The EIDL program provides low-interest rate loans to small businesses and non-profit organizations which may be used to pay fixed debts, payroll obligations, accounts payable, and other obligations which the applicant is struggling to pay due to the effects of the COVID-19 pandemic. Depending on the individual applicant's circumstances, each affected small business may borrow up to \$2 million dollars, payable over a maximum term of 30 years.

Is my Small Business Eligible?

EIDLs are available only to small businesses and non-profits which the SBA determines have suffered economic injury as a direct result of the COVID-19 pandemic, and are unable to receive credit elsewhere. In addition, the principal office of the applicant must be located in a state that has an EIDL declaration. As of the date of this article, a large majority of U.S. states, including Texas and its bordering states of Oklahoma, Arkansas, Louisiana, and New Mexico, have received an EIDL declaration. Last, the SBA's ultimate acceptance of an EIDL applicant is subject to customary underwriting and creditworthiness checks, which may include, among other things, whether the applicant has previously defaulted on an SBA loan.

How Can I Apply?

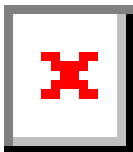
The SBA is now accepting EIDL applications through December 21, 2020. Prospective borrowers may apply in person or by mail, but are encouraged to [apply online](#). Among other documents which may be requested by the

SBA, each applicant is required to submit to the SBA: (1) SBA Form 5 Business Loan Application; (2) IRS Form 4506-T (authorizing the SBA to request a transcript of two years of tax returns); (3) a copy of the recent federal income tax returns of the applicant; (4) SBA Form 413 Personal Financial Statement (the personal financial statements of each owner of the applicant disclosed on the Form 5); and (5) a schedule of liabilities of the applicant (applicants may use SBA Form 2202).

How Long Does the Approval Process Take?

The SBA is currently publishing approval times of 18 to 21 days from the date the applicant submits a completed application. Further, it may take an additional five business days after approval for the loan to fund. However, it may be reasonable to expect delays from the published wait times due to the unprecedented nature of the COVID-19 pandemic. Accordingly, we recommend that any small business considering an EIDL submit its application as soon as possible.

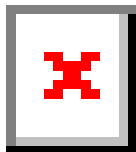
If you have any questions regarding the SBA's EIDL program, obtaining an EIDL, or the application process, please contact:



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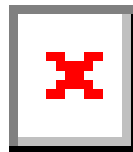
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