

From the desk of Charles Alexander:

I wanted to give you a heads up that the SBA will soon start accepting online Economic Injury Loans for businesses affected by COVID-19.

SBA Economic Injury Disaster Loan link – <https://disasterloan.sba.gov/ela>

(expect delays and you may want to consider doing this in off-peak hours, 7pm – 7am)

What do these loans look like?

- SBA's Economic Injury Disaster Loans offer up to \$2 million in assistance per small business and can provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing.
- These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible. The interest rate for non-profits is 2.75%.
- SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.
- Right now the SBA is saying there will be a deferment of payment for the first year (not set in stone yet).

What are they looking for in borrowers?

- You have to be able to show that your sales are down compared to this time last year.
- Reasonable credit score or be able to explain why your credit took a hit pre-disaster ... ie medical or family.
- Also they will ask for a very basic cash flow projection (within the application) that will show you will likely have a good chance of having the income to pay the loan back when things return to "normal".
- Be current with your other SBA loans/IRS, etc. If you aren't, you can most likely get on a payment plan with the IRS, for instance, and then they will be considered "current" and can apply for an EIDL. Same with your bank.

What are some things you need to be aware of when completing the application?

- Use Internet Explorer as your browser
- Enter the amount you are requesting in the comments section
- This is for working capital it is not designed for expansion or debt consolidation.
- This loan process will be done by the Small Business Administration. It is not process through your bank or credit union.
- Definition of Economic Injury by the SBA

Businesses can only seek assistance for economic injury (not physical damage) as a result of the incident [COVID 19]. Substantial economic injury occurs when a business concern is unable to meet its obligations as they mature or to pay its ordinary and necessary operating expenses.

- Establishing economic injury is a comparison between the financial information from the period in the prior year to the injury period of the current year – this period must be associated to the [IMPACT OF COVID 19] and cannot be attributed to a downturn in local economy or other unrelated issues.
- For example, if [employees are unable to work; or major conferences cancelled from which the business received revenues; or if a restaurant experiences substantial reduction in customers due to social distancing or because local or state officials are asking or ordering businesses to temporary close or reduce services (e.g., take out only)] and the business [will] not able to be re-established for two months, the business should consider how long it will take for things to normalize.
- If it's three months, the analysis [for a loan would] show the financial data for the same three months of last year and the anticipated financial data for the same period this year. The loans are not intended to replace lost sales or profits, rather they are intended to pay fixed debts, payroll, accounts payable, and other expenses that could have been paid had the [IMPACT OF COVID 19] not occurred. Analyzing a drop in sales, the length of time the business will be impacted, the type of business and typical business cycle of the industry, provides the SBA [loan officers] with the requisite data needed to determine if the economic injury is considered substantial.”
- Any loan request over \$25,000 will require collateral (they haven't said how much collateral though, so don't let this deter you)
- **Filling the application out completely is key to successful processing**
- Underwriting will take 2-3 weeks for underwriting then another 7-10 days for documentation & disbursement – with a FULL & COMPLETE Application.
- **Important criteria for the loan**
 - 1) A **complete** and accurate loan package
 - 2) Submitted electronically (sending in paper doc will slow it down)
 - 3) Request as much as you think you might need. Asking for more money will be more difficult rather than asking for more
 - 4) They will review cash flow (built into the application)
 - 5) Credit requirements will be relaxed.
 - 6) You will need to upload your most recent tax returns, so make sure you have those available
 - 7) In form 5C – be sure to put in an accurate phone number to connect with you.
 - 8) **Plan to be able to print, sign, and scan all of the documents as necessary.** If you don't have a printer/scanner you can download the form, email it to yourself, use an app on your phone (AdobeFill&Sign is an example) to sign it, then email it back to yourself, download it to your computer and upload it.

How to reach me and/or the SBA?

- Any additional questions go to the SBA customer service line at **1-800-659-2955**
- I am working from home, but have access to email and the phone is forwarded to my personal cell.
- **Email may be best way to contact me**, since my phone is blowing up right now with worried (and rightfully so) business owners.

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