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The Maryland SBDC knows that the Small Businesses in the state are working to adjust to the challenges the current Coronavirus (COVID-19) disaster. We are here to assist you as you look for guidance from operations to access to capital. If you are not currently a client, you can request assistance by registering with us. Our services are confidential and at no fee to you. Sign up here: (new user) <https://mdsbdc.ecenterdirect.com>

One specific area most businesses are concerned with is the SBA Disaster loan, below is the information we have right now.

### **SBA Economic Injury Disaster Loan Update 3/19/2020**

#### **When Will Maryland be eligible?**

The U.S. Small Business Administration is offering designated states and territories low-interest federal disaster loans for working capital to small businesses suffering substantial economic injury as a result of the Coronavirus (COVID-19). Governor Hogan has submitted a statewide application to the U.S. Small Business Administration Economic Injury Disaster Loan Program. We are still awaiting final approval from SBA and will share updates once we know more. <https://disasterloan.sba.gov/ela/Declarations/Index>

Currently **Disaster #: DE-00024** covers the Contiguous Counties of Maryland: Caroline, Cecil, Dorchester, Kent, Queen Anne's, Wicomico, Worcester and Disaster #: **DC-00008** covers Contiguous Counties Montgomery, Prince Georges

If you are in one of the currently covered counties you may begin your application. If you are not you may still prepare to apply. Below are some details.

#### **ELIGIBLE ENTITIES:**

- Applicants must meet the SBA requirements of a small business (500 employees or fewer)
- Businesses directly affected by COVID-19
- Businesses that offer services directly related to the businesses in the declaration
- Other businesses indirectly related the industry that are likely to be harmed by losses in their community (Example: Manufacturer of widgets may be eligible as well as the wholesaler and retailer of the product)

#### **INELIGIBLE ENTITIES:**

- Agricultural Enterprises: If the primary activity of the business (including its affiliates) is as defined in Section 18(b)(1) of the Small Business Act, neither the business nor its affiliates are eligible for EIDL assistance.
- Religious Organizations
- Charitable Organizations
- Gambling Concerns (Ex: Concerns that derive more than 1/3 of their annual gross revenue from legal gambling activities)
- Casinos & Racetracks (Ex: Businesses whose purpose for being is gambling (e.g., casinos, racetracks, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.
- Cannabis Industry



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#### **LOAN APPROVAL CRITERIA:**

- Credit History: Applicants must have a credit history acceptable to SBA.
- Repayment: SBA must determine that the applicant business has the ability to repay the SBA loan.
- Eligibility: The applicant business must be physically located in a declared county and suffered working capital losses due to the declared disaster, not due to a downturn in the economy or other reasons.

#### **HOW MUCH YOU CAN BORROW:**

- Eligible entities may qualify for loans up to \$2 million.
- The interest rates for this disaster are 3.75 percent for small businesses and 2.75 percent for nonprofit organizations with terms up to 30 years.
- Eligibility for these working capital loans are based on the size (must be a small business) and type of business and its financial resources.
- **What are the collateral requirements?**
  - Economic Injury Disaster Loans over \$25,000 require collateral.
  - SBA takes real estate as collateral when it is available.
  - SBA will not decline a loan for lack of collateral, but requires borrowers to pledge what is available.

#### **HOW THE FUNDS CAN BE USED:**

These working capital loans may be used to pay fixed debts, payroll, accounts payable, and other bills that could have been paid had the disaster not occurred. The loans are not intended to replace lost sales or profits or for expansion. Funds cannot be used to pay down long-term debt.

#### **WHAT IS NEEDED TO APPLY:**

- Completed SBA loan application (SBA Form 5).
- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates.
- Complete copies of the most recent Federal Income Tax Return.
- Schedule of Liabilities (SBA Form 2202).
- Personal Financial Statement (SBA Form 413).
- Income, balance sheet, and cash flow documents.
- Additional Filing Requirements (SBA Form 1368) providing monthly sales figures. (This is especially important for Economic Injury Disaster Loans.)
- 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.
- A current year-to-date profit-and-loss statement.
- Other Information may also be requested.

#### **OTHER INFORMATION THAT MAY BE REQUESTED:**

- Complete copy, including all schedules, of the most recent Federal income tax return for principals, general partners or managing member, and affiliates (see filing requirements for more information).



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### **HOW SOON WILL BUSINESSES RECEIVE MONEY?**

- Small businesses that submit complete loan packages *could* receive approval within three (3) weeks.
- Incomplete information and verification of collateral will delay approval process.

### **HOW TO APPLY:**

- Applicants may apply online using the Electronic Loan Application (ELA) via SBA's secure Website <https://disasterloan.sba.gov/ela>
- Paper loan applications can be downloaded from: <https://disasterloan.sba.gov/ela/Information/PaperForms>
- The preferred method of application (Fastest reply) is online, the paper forms are best used as a guide.
- Completed applications can be mailed to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155.
- Disaster loan information and application forms may also be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339 for the deaf and hard-of-hearing) or by sending an email to [disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov).

### **RECOMMENDATIONS:**

- Include the specific disaster in your application - specifically reference "COVID-19" or Coronavirus.
- Apply online vs by mail.
- Write your password down; neither the system nor any personnel are able to retrieve it.
- Save your work at every prompt.
- Do not rush through the application. Check and recheck the filing requirements to ensure that all the needed information is submitted. The biggest reason for delays in processing is due to missing information. Make sure to complete all filing requirements before submitting the application and forms.
- Be sure to use the same contact information (business name and the name of all owners) that you use on your federal tax returns. Double check that they match.
- If your tax returns reference other businesses that you own, you must also submit those tax returns in order to avoid processing delay.
- If more funds are needed, applicants can submit supporting documents and a request for an increase. If less funds are needed, applicants can request a reduction in the loan amount.
- If the loan request is denied, the applicant will be given up to six months in which to provide new information and submit a written request for reconsideration.

***Again, if you have questions or need help in the process, The Maryland SBDC is here to help you. Our services are confidential and at no fee to you. Sign up here: (new user)***

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