



INSTITUTE FOR JUSTICE
CLINIC ON ENTREPRENEURSHIP

SBA Small Business Loans and COVID-19^{1 2 3 4}

With the passing of the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020, the Small Business Administration (“SBA”) has been granted substantial funding from the federal government to provide small businesses across the United States access to low interest federal loans to help cover losses from revenue and operations suffered due to the Coronavirus (COVID-19).⁵

Businesses in Illinois (and private, nonprofit organizations) can apply for these loans through the **Economic Injury Disaster Loans** (“EIDL”) program because Illinois has received an economic injury disaster declaration from the SBA.

Who can access these loans?

- Small businesses or nonprofits that:
 - 1) have suffered substantial economic injury from the disruption of operations and revenue loss as a result of the Coronavirus (COVID-19), and
 - 2) Meet the SBA’s definition of “small.” Look at the following chart to determine eligibility (search by industry): [SBA Size Chart](#).

What are the benefits of the SBA loans?

- The SBA can provide up to \$2 million to help meet financial obligations and operating expenses *that could have been met had the disaster not occurred*.^{6 7}
- The interest rate is 3.75% for small businesses and 2.75% for nonprofits.
- The term of these loans will not exceed 30 years. The repayment term will be determined by your ability to repay the loan.⁸
- 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.⁹
- Be sure to submit insurance claims in a timely fashion, but do not delay applying for the SBA loan because you have not yet settled insurance matters related to COVID-19. **The SBA can approve a loan prior to your resolution of insurance claims.** However, any insurance proceeds that are received and duplicate SBA’s loan will be required to be applied to the loan.¹⁰

¹ Please note, (a) this is informational and not legal advice and (b) information is changing rapidly and may quickly become out of date.

² This information was prepared by the Institute for Justice Clinic on Entrepreneurship at the University of Chicago Law School, a legal clinic which assists low-income Chicago entrepreneurs with transactional and regulatory work.

³ Information contained in this document was last updated as of 5:00 pm, on March 19, 2020.

⁴ Please visit <https://ij-clinic-on-entrepreneurship/information-for-local-businesses-covid-19-outbreak/> for other documents and further updates.

⁵ See the Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 at <https://www.congress.gov/bill/116th-congress/house-bill/6074/text>

⁶ <https://disasterloan.sba.gov/ela/Information/EIDLloans>

⁷ In the initial announcement, there was a requirement that businesses must not have credit available elsewhere. This was updated and is no longer a requirement. <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-updates-criteria-states-requesting-disaster-assistance-loans-small-businesses-impacted>

⁸ <https://disasterloan.sba.gov/ela/Information/EIDLloans>

⁹ <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

¹⁰ <https://disasterloan.sba.gov/ela/Information/FactSheetBusinesses>



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How can my business apply?

- Go to <https://disasterloan.sba.gov/ela> to fill out an online application.
 - Input the information requested on each page.
 - Be sure to only choose *economic injury (EDIL)* on Business Losses page when it asks what you are applying for.¹¹
- All paper versions of the forms, including the SBA Form 5, can be found at the following link: <https://disasterloan.sba.gov/paperforms>
- The SBA may request collateral at the time of borrowing.¹²
- The timeline for review may be two to three weeks.¹³

What information will be required?

- *The following information may be required on the form:*¹⁴
 - Names of all business owners including each proprietor, limited partner who owns 20% or more interest, general partner, or stockholder or entity owning 20% or more voting stock.
 - You will need to provide addresses, ownership percentage, SSN/EIN, birth dates, citizenship status, marital status, and their contact information.
 - Current insurance coverage (if any).
 - Past history of bankruptcy proceedings.
 - Business Activity, the date the business was established, and number of employees.
 - Estimated loss.
 - The SBA may ask for further explanation regarding any of the following:
 - Outstanding judgments, tax liens or pending lawsuits
 - Criminal offenses
 - Past federal loans
 - Past tax delinquency, loan delinquency or federal grants, federal contracts or child support
- *Required documentation for businesses:*¹⁵
 - Filled out and signed IRS Form 4506-T for each person, partner, manager or owner named above, including the applicant.
 - Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant's business.
 - Personal Financial Statement (SBA Form 413) completed, signed, and dated by each person, partner, manager or owner named above, including the applicant.
 - Schedule of Liabilities listing all fixed debts (SBA Form 2202 can be used as a template).
- *Required documentation for nonprofits:*¹⁶
 - One of the following:
 - A complete copy of the organization's most recent tax return; OR

¹¹ <https://disasterloan.sba.gov/ela/Account/Login>

¹² <https://disasterloan.sba.gov/ela/Information/FactSheetBusinesses>

¹³ <https://disasterloan.sba.gov/ela/Information/FactSheetBusinesses>

¹⁴ [https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20\(SBA%20Form%205\).aspx](https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20(SBA%20Form%205).aspx)

¹⁵ [https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20\(SBA%20Form%205\).aspx](https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20(SBA%20Form%205).aspx)

¹⁶ [https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20\(SBA%20Form%205\).aspx](https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20(SBA%20Form%205).aspx)



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- A copy of the organization's IRS tax-exempt certification and complete copies of the organization's three most recent years' Statement of Activities.
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 can be used as a template).
- Tax Information Authorization (IRS Form 4506-T), completed and signed for each for each person, partner, manager or owner named above, including the applicant.
- **It may also be helpful to gather the following:**¹⁷
 - Recent balance sheets¹⁸, current year to date profit and loss statement, and monthly sales figures.
 - Fixed debts, bills and accounts payables, and documentation showing loss of revenue, loss of employees, or payroll gaps.

¹⁷ [https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20\(SBA%20Form%205\).aspx](https://disasterloan.sba.gov/ela/Documents/Disaster%20Business%20Loan%20Application%20(SBA%20Form%205).aspx)

¹⁸ <https://disasterloan.sba.gov/ela/Information/FactSheetBusinesses>