

## COVID-19 Disaster Loans

Updated: 03/25/2020

In response to the economic fallout of the COVID-19 pandemic, the United States Small Business Administration (SBA) has made available loans to qualifying small businesses to assist with working capital needs. These loans are directly financed by the United States Government and applicants apply directly with the US Small Business Administration.

### Does my Business Qualify?

Qualifying small businesses are determined by industry based on metrics developed by the SBA. These can be either based on revenue or number of employees. This tool can help determine if you meet the criteria of a small business. It utilizes your NAICS code which can typically be found in the heading of the first page of your business tax return (or on your schedule C for proprietors). The tool itself allows you to search by keyword also. Size does include affiliates-contact us to determine if the definition of affiliate applies to your situation. <https://www.sba.gov/size-standards/>

### SBA Disaster Loan Highlights:

- Up to \$2 million per borrower available to help with working capital due to lost revenue
  - Initial Loan: Lesser of \$500,000 or 50% of prior year gross profit from most recent filed tax return
  - Second Loan: Up to \$1.5 million additional based on underwriting
- Fixed interest rates of 3.75% for businesses and 2.75% for non-profit organizations
- Repayment terms up to 30 years. Specific repayment term is determined on case by case basis of borrower's ability to repay.
- SBA loans will be collateralized by business assets and real estate, subordinate to other secured lenders.
- Just today the SBA announced small express loans up to \$25,000-please see the website.

### Best Practices

- Business owners are encouraged to apply for the amount they determine promptly – do not delay.
  - The entire country has been declared a disaster area so the volume of applications is likely to be tremendous.
  - You can increase your request or apply for more later.
  - On-line applications are encouraged and are faster than paper mailing
- The SBA has emphasized applications must be complete and include all required information or they will be delayed.
- On the applications Form 5 (Form 5c for sole proprietors) in box 1 check that you are applying for economic injury (EIDL) and then in box 15 amount of estimated loss you can request amount, no more than 50% of prior year tax return gross profit, insert a question mark in any of the boxes. Unfortunately they do not have box for Economic Injury Loss. You can attach an additional sheet explaining your circumstances and the loss is evolving during for example your

shutdown. The final amount can be determined later. Additional explanations can also be included as part of filing the Form 1368 additional information that is part of the application for EIDLs.

- Be sure the name listed on the form 4506T is exactly the same as your filed returns
- The specific program to apply for is the COVID-19 Pennsylvania program

We have attached a set of the business application forms for your convenience in review and study to start the process in addition the information above.

As with everything in the last few weeks, more information is becoming available daily. We will stay on top of the options that are available to best serve you .We are sure there are many unanswered questions, so feel free to reach out to your normal contact at Simon lever or to Marlin Benedict (mbenedict@simonlever.com) who is serving as our lead resource in the financing area related to COVID-19 response.