COVID-19 DISASTER LOAN FAQ

Q: Are loans available to help during the disaster?
A: The U.S. Small Business Administration (SBA) has approved “economic injury disaster loans” (EIDL) for Rhode Island and contiguous counties. These are working capital loans to help businesses and private, nonprofit organizations of all sizes meet ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. They are intended to assist through the disaster recovery period.

Q: How do we apply for economic injury disaster loans?
A: You must apply to the SBA, which runs the economic injury disaster loan program. The loan application is located here and the loan application can be found here in Spanish. Once you fill out the loan application and supporting documents, you can either send them through the SBA digital drop box account, located under the heading “Upload Business Forms” here. You can also send in your paper application by regular mail to their address in Fort Worth, Texas, on the application. The online application has been discontinued until further notice.

Q: How much can we receive?
A: The SBA assesses your need and provides loans to assist through the disaster recovery period. Small businesses and private nonprofit organizations may borrow up to $2 million for economic injury. The actual amount of each loan is limited to the economic injury determined by the SBA, less any business interruption insurance and other recoveries up to the lending limit. If a business is a major source of employment, the SBA has authority to waive the $2 million statutory limit.

Q: Do I need to provide collateral?
A: Collateral is required for economic injury disaster loans over $25,000. The SBA takes real estate as collateral when it is available. It will not decline a loan for lack of sufficient collateral, but it will require the borrower to pledge collateral that is available.

Q: What is the interest rate?
A: The maximum interest rate is 3.75%. The specific rate is determined by formulas set by law and is fixed for the life of the loan.

Note: Rhode Island Commerce has done its best to summarize the latest information available from the SBA; we cannot guarantee its accuracy.
Q: What kind of repayment options does the SBA offer?
A: Repayment options vary from business to business. The SBA can extend the terms out to 30 years in some cases. Additionally, every disaster loan has a standard deferment of 4 months, with the first payment not being due until 5 months from the date of the note. This allows small businesses time to weather the storm, get their footing again, and start making money before they need to start worrying about repayment.

Q: Does my business qualify?
A: Most businesses and private, nonprofit organizations qualify if they meet the economic and credit criteria. (This includes self-employed people with sole proprietorships who file a schedule C.) Applicants must have a credit history acceptable to the SBA and show the ability to repay the loan. Applicants who have not complied with the terms of previous SBA loans may not be eligible.

Q: What do I do if I have more than one business/EIN?
A: If there are more than one businesses and they are not affiliates, then separate applications may be filed for each separate business.

Q: How many months do I need to plan for?
A: There is no projected “end date” at the moment. The SBA recommends applicants assess their working capital needs for the January to June, 2020 period. If the disaster goes on for a longer period, you may request additional funds.

Q: May I apply again later?
A: If someone is denied, they may reapply, BUT please note if they reapply and get denied again, they will no longer be eligible to apply any more times. We are recommending those that get denied wait for the letter with the reason for denial to arrive in the mail and then contact the SBA for the best chance of being approved on the second attempt.

Q: When should we apply?
A: We recommend you apply as soon as possible.

Q: How soon will we hear whether our loan is approved?
A: The SBA’s goal is to make a decision on applications within two to three weeks. A loan officer will contact you to discuss the loan recommendation and your next steps. You will also be advised in writing of all loan decisions.

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Q: When will we get money if our loan is approved?
A: Once the SBA receives your signed loan closing documents, they will make an initial disbursement of $25,000 within five days. The case manager assigned to you will schedule subsequent disbursements until you receive the full loan amount. Your loan amount may be adjusted after closing as your circumstances change.

Q: May I use the funds to purchase new inventory?
A: If it is inventory your company will sell or use to produce a product to sell, but now are unable to afford as a result of the disaster, then it would be deemed working capital and an acceptable use for an SBA economic injury disaster loan.

Q: May we use the loan to refinance long-term debt?
A: No.

Q: Where can I get answers about the application?
A: You may call SBA's customer service center at (800) 659-2955; be prepared to wait an hour or two on hold. You may also email disastercustomerservice@sba.gov. Before doing either, we recommend you read this entire FAQ and then print and read thoroughly the SBA's FAQ found here (as noted above), keeping in mind that it covers all disaster loans, not just economic injury disaster loans.

Q: Do I have to submit a personal financial statement?
A: Even if you provide that information in the application, the borrower is personally guaranteeing the loan and a personal financial statement is required. This allows the loan specialists to get a global view of the applicant and assess the situation on all sides when making a determination on an application for funding.

Q: Where on the application do I enter the loan amount?
A: There is no place for an applicant to ask for a specific amount. You list all your expenses and provide sales numbers. The SBA's disaster team will calculate the support needed to operate your business through the disaster period (currently estimated to be January to June, 2020). If you feel the amount is insufficient, you may request more. If the disaster goes on for a longer period, you may request additional funds.

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Q: Where do I get a “Truthful Information Certification?”
A: This is not a physical certificate. The “Certification as to Truthful Information” is a statement that the applicant should read in its entirety, and then select “I Certify.” This is the applicant certifying under penalty of law that the information they are providing on the application is true and accurate for their business.

Q: What documents do we have to submit?
A: A completed and signed business loan application (SBA Form 5, available online here; paper and Spanish language forms available here). We recommend filling out the application on paper first, if possible, to give you time to gather the extensive information required. You can mail or email the paper form or use it to complete the online form; the online system is faster during non-peak hours, from 7 pm to 7 am EST. Make sure to select “Economic Injury” only on the form when inquiring about your business losses.

Required forms include:

• Requests for the IRS to provide transcripts of tax returns for the business, each general partner or managing member, each principal with 20% or more ownership, and any owner of 50% or more of an affiliate (IRS Form 4506-T, Request for Transcript of Tax Return.)

• Complete copies, including all schedules, of the most recent federal tax returns of the business.

• A personal financial statement for the sole proprietor, general partner or managing member, or principal owning 20% or more of the business (SBA Form 413, Personal Financial Statement.)

• Schedule of liabilities listing all fixed debts (SBA Form 2202, Schedule of Liabilities, may be used.)

Additional information that may be needed:

• Complete copies, including all schedules, of the most recent federal income tax returns for principals, general or managing partners, or owners of affiliates.

• 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 is acceptable.

• A current year-to-date profit and loss statement.

• Additional monthly sales figures (SBA Form 1368, Additional Filing Requirements.)