



Our thanks to the California SBDC for this document



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# NORTHWEST TEXAS SBDC SMALL BUSINESS COVID RESOURCES

# THE THREE STEP PROCESS: ECONOMIC INJURY DISASTER LOANS

## About Economic Injury Disaster Loans

The U. S. Small Business Administration (SBA) provides low-interest, long-term economic injury disaster loans to small businesses, small agricultural cooperatives, and most private non-profit organizations to help meet financial obligations and operating expenses that could have been met had the disaster not occurred. EIDLs provide the necessary working capital to help small business survive until normal operations resume after a disaster.

### STEP 1: Apply for Loan

- Apply online at the SBA's secure website [disasterloan.sba.gov/ela](https://disasterloan.sba.gov/ela).
- As a small business, small agricultural cooperative, small business engaged in aquaculture, or private non-profit organization you may borrow up to \$2 million for Economic Injury.
- Substantial Economic Injury means that the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses.

### STEP 2: Loan Processing Decision Made

- SBA **reviews your credit** before conducting an inspection to verify your losses.
- A loan officer will determine your **eligibility** during processing.
- A loan officer works with you to provide all the necessary information needed to reach a loan determination. Our goal is to arrive at a decision on your application within 2 - 3 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.

### STEP 3: Loan Closed and Funds Disbursed

- SBA will prepare and send your Loan Closing Documents to you for your signature.
- Once we receive your signed Loan Closing Documents, a disbursement will be made to you within 5 days.
- Your loan may be adjusted after closing due to your changing circumstances or if the disaster lasts for an extended period of time.

## Required Documentation

The following documents are required to process your application and reach a loan decision. Your Loan Officer and Case Manager will assist you to ensure that you submit the proper documentation. Approval decision and disbursement of loan funds is dependent on receipt of your documentation.

### BUSINESSES

- Business Loan Application (SBA Form 5) completed and signed by business applicant.
- IRS Form 4506-T completed and signed by Applicant business, each principal owning 20% or more of the applicant business, each general partner or managing member and, for any owner who has more than a 50% ownership in an affiliate business. (Affiliates include business parent, subsidiaries, and/or businesses with common ownership or management).
- Complete copies, including all schedules, of the most recent Federal income tax returns for the applicant business; an explanation if not available.
- Personal Financial Statement (SBA Form 413) completed, signed and dated by the applicant (if a sole proprietorship), each principal owning 20% or more of the applicant business, each general partner or managing member.
- Schedule of Liabilities listing all fixed debts (SBA Form 2202 may be used).

### ADDITIONAL INFORMATION THAT MAY BE NECESSARY TO PROCESS YOUR APPLICATION:

- Complete copies, including all schedules, of the most recent Federal income tax returns for each principal owning 20% or more of the applicant business, each general partner or managing member, and each affiliate when any owner has more than a 50% ownership in the affiliate business. Affiliates include, but are not limited to, business parents, subsidiaries, and/or other businesses with common ownership or management.
- 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 Filing Requirements (SBA Form 1368) providing monthly sales figures.

**APPLY FOR ASSISTANCE AT**  
[disasterloan.sba.gov/ela](https://disasterloan.sba.gov/ela)



**Or Call**

[1-800-659-2955](tel:1-800-659-2955) (SBA Customer Service Center)

[1-800-877-8339](tel:1-800-877-8339) (TTY: Deaf and Hard-of-Hearing)



# ECONOMIC INJURY DISASTER LOAN

If you have suffered substantial economic injury and are one of the following types of businesses located in a **declared disaster area**, you may be eligible for an SBA Economic Injury Disaster Loan (EIDL):

- Small Business
- Small agricultural cooperative
- Most private nonprofit organizations

## LOAN AMOUNT AND USE

Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses. EIDLs provide the necessary working capital to help small businesses survive until normal operations resume after a disaster.

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. Your loan amount will be based on your actual economic injury and your company's financial needs, regardless of whether the business suffered any property damage.

## ELIGIBILITY AND TERMS

The interest rate on EIDLs will not exceed 4 percent per year. The term of these loans will not exceed 30 years. The repayment term will be determined by your ability to repay the loan.

EIDL assistance is available only to small businesses when SBA determines they are unable to obtain credit elsewhere. A business may qualify for both an EIDL and a physical disaster loan. The maximum combined loan amount is \$2 million.

## HOW TO APPLY

**STEP 1:** You can **apply online** for an **SBA disaster assistance loan**.

**STEP 2:** You must submit the completed loan application and a signed and dated **IRS Form 4506-T** giving permission for the IRS to provide SBA your tax return information.

**STEP 3:** For additional information, please contact the SBA disaster assistance customer service center. Call 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail **[disastercustomerservice@sba.gov](mailto:disastercustomerservice@sba.gov)**.



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# SMALL BUSINESS DOCUMENTS REQUIRED FOR SBA DISASTER LOAN

## Documents

- Copy of Credit Bureau Report with Credit Scores from the three primary reporting agencies for all owners of the business with minimum 20% ownership.
- Personal Financial Statement ([SBA Form 413](#)) for all owners of the business with minimum 20% ownership interest.
- Federal Personal and business tax returns for the last 3 years (include personal tax returns for each owner with minimum 20% ownership interest in the business).
- Business Financial Statements for year to date (both income statements and balance sheet is Preferred). Schedule of all business assets and liabilities.
- Provide Monthly sales figures beginning 3 years prior to the disaster and continuing through the most recent month available. ([SBA Form 1368](#)).
- Written explanation of the amount you are seeking and how it will be used. Describe the loss.
- SBA Loan Application ([SBA Form 5](#)).
- [IRS Form 8821 / 4506-T](#) for each owner with minimum 20% ownership interest in the business.



# UNDERSTANDING BUSINESS INTERRUPTION INSURANCE

Almost all businesses carry insurance and for many, business interruption insurance exists within their policy. The detailed information below will outline the basic premise of business interruption insurance and what could generally be considered a claim. You should check with your insurance provider to understand your coverage and what, if any claims you may have.

## WHAT IS BUSINESS INTERRUPTION INSURANCE?

Business interruption insurance is insurance coverage that replaces business income lost in a disaster. The event could be, for example, a fire or a natural disaster. Business interruption insurance is not sold as a separate policy but is either added to a property/casualty policy or included in a comprehensive package policy as an add-on or rider.

- Business interruption insurance is not sold as a separate policy but is an add-on to an existing insurance policy.

## UNDERSTANDING BUSINESS INTERRUPTION INSURANCE

Business interruption insurance premiums (or at least the additional cost of the rider) are tax-deductible as ordinary business expenses. This type of policy pays out only if the cause of the business income loss is covered in the underlying property/casualty policy. The amount payable is usually based on the past financial records of the business.

Business interruption insurance coverage lasts until the end of the business interruption period, as determined by the insurance policy. Most business interruption insurance policies define this period as the date that the covered peril began until the date that the damaged property is physically repaired and returned to the same condition that existed prior to the disaster.

## KEY TAKEAWAYS

- Business interruption insurance is insurance coverage that replaces income lost in the event that business is halted for some reason, such as a natural disaster.
- This type of insurance also covers operating expenses, a move to a temporary location if necessary, payroll, taxes, and loan payments.
- Business interruption insurance also applies if government actions cause operations to cease temporarily, which results in a loss for a firm.



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## WHAT BUSINESS INTERRUPTION INSURANCE COVERS

*Most business insurance cover the following items:*

- **Profits.** Based on prior months' performance, a policy will provide reimbursement for profits that would have been earned had the event not occurred.
- **Fixed costs.** These can include operating expenses and other incurred costs of doing business.
- **Temporary location.** Some policies cover the costs involved with moving to and operating from a temporary business location.
- **Commission and training cost.** In the wake of a business interruption event, a company will often need to replace machinery and retrain personnel on how to use the new machinery. Business interruption insurance may cover these costs.
- **Extra expenses.** Business interruption insurance will provide reimbursement for reasonable expenses (beyond the fixed costs) that allow the business to continue operating while the business gets back on solid footing.
- **Civil authority ingress/egress.** A business interruption event may result in government-mandated closure of business premises that directly cause financial loss. Examples include forced closures because of government-issued curfews or street closures related to a covered event.
- **Employee wages.** Coverage of wages is essential if a business does not want to lose employees while shutting down. This coverage can help a business owner make payroll when they cannot operate.
- **Taxes.** Businesses are still required to pay taxes, even when disaster hits. Tax coverage will ensure a business can pay taxes on time and avoid penalties.
- **Loan payments.** Loan payments are often due monthly. Business Interruption coverage can help a business make those payments even when they are not generating income.

## SPECIAL CONSIDERATIONS FOR BUSINESS INTERRUPTION INSURANCE

Note that the insurer is only obligated to pay if the insured actually sustained a loss as a result of the interruption. The amount that will be recouped by the business will not exceed the limit stated in the policy.



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## LOAN PACKAGE DOCUMENTATION CHECKLIST

**In order to apply for a business loan, here is a list of documents required to be submitted for review by SBDC**

**Advisor to explore funding options.**

1. Copy of Credit Bureau Report with Credit Scores from the three primary reporting agencies (Experian, Trans Union and Equifax) for all owners of the business with minimum 20% ownership interest. You can get the credit reports for a small fee at [Freecreditreport.com](http://Freecreditreport.com) or [Annualcreditreport.com](http://Annualcreditreport.com) (At minimum, the Experian Credit Report with FICO Score is preferred).
2. Personal Financial Statement (SBA Form 413 – attached) for all owners of the business with minimum 20% ownership interest. Documents that you will need:
  - Checking and savings account statements showing balances
  - IRA, 401(k), and other retirement account statements showing balances
  - Life insurance documents showing current cash surrender value
  - Stocks, bonds, and other investment documents showing current value
  - Pay stub showing current annual salary
  - Statements for pensions, real estate income, or other sources of income
  - Mortgage statements, auto loan statements, credit card statements, and statements for other types of loans showing your account number, payment amount, and current balance
3. Federal Personal and business tax returns for the last 3 years (include personal tax returns for each owner with minimum 20% ownership interest in the business).
4. Business Financial Statements for year to date (both income statements and balance sheet is preferred – current within 45 days).
5. Latest A/R and A/P Aging reports for the business.
6. Personal resumes for all owners of the business with minimum 20% ownership interest.
7. Proof of current income (most recent paycheck information) for all borrowers.
8. Business plan or Company Overview / Executive Summary. Brief history and explanation of your business.
9. Written explanation of the amount you are seeking and how it will