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SBA Loans and the Economic Injury Disaster Loan Program

Small business owners throughout the country are being impacted by the spread of the Coronavirus. Many businesses, especially small businesses, simply don't have the financial resources to withstand a prolonged period of low to no sales. SBA's Economic Injury Disaster Loan Program and other types of SBA loans may be able to help.

What is the Economic Injury Disaster Loan?

The SBA's Economic Injury Disaster Loan program provides small businesses with working capital loans of up to $2 million to help overcome the temporary loss of revenue they are experiencing.

Who is the loan program for?

This loan program is available to businesses in designated states and territories. Each state or territory's governor must request that the SBA issue an Economic Injury Disaster loan declaration. Once the SBA issues the declaration, loans will be made available statewide to small businesses and private, non-profit organizations. You can find a list of states at sba.gov/disaster.

How can the funds be used?

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. The interest rate is 3.75% for small businesses and 2.75% for non-profits.

How is the loan repaid?

The SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

How to apply

You can apply for an Economic Injury Disaster Loan online at www.sba.com/disaster. If you have questions, you can contact the SBA disaster assistance customer service center at 1-800-659-2955 or e-mail disastercustomerservice@sba.gov.

Because the Economic Injury Disaster Loans are not available in every state, we want to also provide you with information about SBA's other loan programs.

What is the SBA 7(a) program?

With SBA's typical loan programs, the SBA does not actually loan money directly to businesses. Instead, the SBA works with intermediaries, such as banks and credit unions, to provide low interest loans with competitive terms to small businesses. The SBA in turn guarantees a portion of the loan, anywhere from 50% to 85%, which lowers the risk for the intermediary.

The SBA offers several types of loan programs to fit various needs. The most well known program is the SBA 7(a) program which includes multiple types of loans. 7(a) loans may be used for working capital, purchasing commercial real estate, purchasing equipment, purchasing a business or refinancing debt.

With a standard 7(a) loan, a business can borrow up to $5 million with a typical term of 10 to 25 years. The SBA will guarantee 75% to 85% of the total loan amount. The SBA has a turnaround time of 5 to 10 business days, but the entire loan process can take 30 to 90 days.

SBA Small Loan

With an SBA Small Loan, a business can borrow up to $350,000 in the form of a term loan or a line of credit. The SBA will guarantee 75% to 85% of the total loan amount. The SBA has a turnaround time of 5 to 10 business days.

SBA Express Loan

With an SBA Express Loan, a business can borrow up to $350,000 in the form of a term loan or a line of credit. The SBA will guarantee 50% of the total loan amount and the eligibility decision is made by the lender instead of the SBA. The SBA turnaround time for an express loan is within 36 hours.

Other Types of 7(a) Loans

Other types of 7(a) loans include the SBA Community Advantage Loans, Veterans Advantage Loans, Export Express and Export Working Capital Loans and CAPLines.

What is the interest rate on a 7(a) loan

The interest rates on the 7a loans may be variable or fixed. For variable loans, they are generally a base rate such as prime plus anywhere from 2.25% to 4.75% depending on the amount and duration of the loan. For fixed rate loans, they are prime plus 5% to 8% depending on the amount of the loan.

What are the requirements for a 7(a) loan

There are certain requirements for these loans. Your business must be based in the United States and must be for profit. You must have reasonable owner equity to invest and must have exhausted all other financing resources available to you.

Even though the SBA is guaranteeing a portion of the loan, you must still qualify. You should have a solid credit history and adequate collateral to back the loan. You should also be prepared to sign a personal guarantee.

SBA microloan program

Finally, we want to mention the SBA microloan program for businesses and certain non-profit child care centers needing $50,000 or less. Loan proceeds can be used for working capital, inventory, supplies, furniture, fixtures, machinery or equipment. They cannot be used to pay existing debts or to purchase real estate. Through this program, you would work with a non-profit intermediary to obtain the loan. Interest rates will be between 8 and 13 percent and can have a maturity up to 6 years.

Final Thoughts

For more information on SBA loans, please visit SBA.gov. And of course if you need any assistance from us, please give us a call.

About Condley and Company, LLP

In a world of numbers and bottom line solutions, it's easy to overlook that success in business is really about relationships. At Condley & Company, L.L.P, we're proud to have many long-standing clients. Our founders and partners have instilled in the firm a culture that offers financial services with a personalized approach. With every client we serve, we aim to listen to and truly understand the people behind the numbers, so we can help them reach their goals. That's what Condley & Company is all about.

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