

NORTH CAROLINA **PRO BONO** RESOURCE CENTER

COVID-19 Small Business Administration (“SBA”) Loans

Currently, the SBA has two COVID-19 related loan programs.

1.) COVID-19 ECONOMIC INJURY DISASTER LOAN

Loan Program:

- The SBA’s Economic Injury Disaster Loans offer up to \$2 million in assistance to small businesses.
- These loans may be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster’s impact.
- The interest rate is 3.75% for small businesses.
- The interest rate for non-profits is 2.75%.
- 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.

Disaster Loan Advance:

- In response to the current pandemic, small business owners are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000.
- This advance will provide economic relief to businesses that are currently experiencing a temporary loss of revenue.
- Funds will be made available within three days of a successful application.
- This loan advance will not have to be repaid.

Who Can Apply?

- Businesses with not more than 500 employees
- Individuals who operates under a sole proprietorship, with or without employees, or as an independent contractor
- Cooperative with not more than 500 employees
- Employee Stock Ownership Plan (ESOP), as defined in 15 U.S.C. 632, with not more than 500 employees
- Tribal small business concern, as described in 15 U.S.C. 657a(b)(2)(C), with not more than 500 employees
- Businesses, including agricultural cooperatives, aquaculture enterprises, nurseries, or producer cooperatives, that are small under SBA Size Standards found at <https://www.sba.gov/size-standards/>
- Businesses with more than 500 employees that are small under SBA Size Standards found at <https://www.sba.gov/size-standards/>
- Private non-profit organization that are non-governmental agencies or entities that currently have an effective ruling letter from the IRS granting tax exemption

How do I apply?

- Application materials are available at: <https://COVID19relief.sba.gov/#/>
- **This application is done online.**

Questions?

- Contact the SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov.

2.) PAYCHECK PROTECTION PROGRAM

Loan Program:

- On Friday, March 27, 2020, The Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), a \$2 trillion stimulus bill, was signed into law.
- The Paycheck Protection Program is the most important provision in the new federal COVID-19 stimulus bill for most small businesses.
- This new program sets aside \$350 billion in government-backed loans from private banks that can, in some cases, be converted to grants, which means that if you meet the requirements you will not need to pay the loan back.
- The program provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits.
- Funds can also be used to pay interest on mortgages, rent, and utilities.
- Fully Forgiven Funds are provided in the form of loans that will be fully forgiven when used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll).
- Loan payments will also be deferred for six months.
- No collateral or personal guarantees are required.
- **MUST Keep Employees on the Payroll—or Rehire Quickly - Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels.**

Who Can Apply?

- Any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons), private non-profit organization or 501(c)(19) veterans organizations affected by coronavirus/COVID-19
- Businesses in certain industries may have more than 500 employees if they meet the SBA's size standards for those industries.
- Small businesses in the hospitality and food industry with more than one location could also be eligible at the store and location level if the store employs less than 500 workers. This means each store location could be eligible.

Important Dates:

- Lenders will be able to begin processing applications on April 3, 2020. Please check with your lender about this.

How to Apply:

- **This application must be done through a lender.**

- You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.
- Consult with your local lender as to whether it is participating.
- All loans will have the same terms regardless of lender or borrower.
- A list of participating lenders, as well as additional information, and full terms can be found at www.sba.gov.

How do I apply?

- Application available at: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>
- **As you gather the information described on the application form, you should contact your bank or an approved lending institution to start the application process.**

Further information:

- <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>

3.) ADDITIONAL INFORMATION FOR BOTH PROGRAMS

Can I apply for both programs simultaneously?

- YES!
- Small businesses can get both an Economic Injury Disaster Loan and a Paycheck Protection Program loan as long as they do not pay for the same expenses.
- Note: Be sure to check with your financial advisor or lender before taking both types of loans if you are not sure of the specifics.

More Information on Both Programs:

- US Chamber of Commerce - <https://www.uschamber.com/co/small-business-coronavirus>
- SBA - <https://www.sba.gov/disaster-assistance/coronavirus-COVID-19>
- US Department of the Treasury - <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>