

Intuit: Useful Information How to Apply for an SBA Disaster Loan

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By [Noah Parsons](#) (latest update: March 25, 2020)

There is a good chance that you, like many small business owners, are wondering how the financial fallout of the coronavirus (COVID-19), will impact your business. For many, it isn't just a question of lost sales, but uncertainty around how to best protect your livelihood, support your employees and manage ongoing operational costs.

However, there may be a light at the end of the tunnel, as the U.S. Small Business Administration announced on March 12, 2020, that they will be offering [low-interest Economic Injury Disaster Loans](#) of up to \$2 million to impacted small businesses. The interest rate on these loans will be 3.75% for small businesses and 2.75% for non-profits. Loans can be repaid over a period of up to 30 years. Here's a quick overview of the SBA Economic Injury Disaster Loan program with details below.

Overview of SBA Economic Injury Disaster Loans (EIDL)

1. Direct loan from the US Department of the Treasury, via the Small Business Administration (SBA).
2. Eligible applicants include: (1) small businesses; (2) non-profits; (3) owners of rental property.
3. Purpose: working capital for temporary loss of revenue.
4. Apply at: <https://disasterloan.sba.gov/ela/> (Do not lose username and password!)
5. No cost to apply.
6. No obligation to accept loan.
7. Ineligible applicants: agricultural enterprises; religious organizations; gambling concerns.

Terms

1. Loan Amount: up to \$2,000,000.

2. Interest Rate: 3.75% for small business; 2.75% for non-profit.
3. Repayment terms up to 30 years, determined on a case-by-case basis.

Criteria

1. Acceptable personal credit history.
2. Demonstrate ability to repay.
3. Use of Funds: pay fixed debts; payroll, accounts payable; bills. (Not to supplant lost sales or for business expansion.)

Collateral

1. Required for loan amounts that exceed \$25,000.
2. Applicants will not be declined solely on the basis of a lack of collateral. However, SBA will require whatever collateral is available, which may include liens on real estate.

Required Forms

1. [SBA Form 5](#) – Business Loan Application ([complete within online application](#))
2. [SBA Form 413](#) – Personal Financial Statement, required by everyone with ownership of 20% or greater (complete within online application)
3. [SBA Form 1368](#) – Monthly Sales figures and forecasts (download form, complete, upload as PDF)
4. [SBA Form 2202](#) – Schedule of Liabilities (complete within online application)
5. [IRS Form 4506-T](#) – Request for Transcript of Tax Return, required for the applicant entity and everyone with ownership of 20% or greater (download form, complete, sign, upload as PDF)
6. Additional information may be required, such as business or personal tax returns, year-end and/or interim financial statements, and monthly sales figures.

What do these SBA Disaster Relief Loans mean for your small business?

The goal of these SBA disaster loans is to help businesses cover any unmanageable expenses caused by the COVID-19 outbreak. [Fixed debts](#), [payroll](#), and [accounts payable](#) are just a few examples of [operational costs](#) you can cover through the use of loan funds.

It can be very easy, especially in a volatile economic environment, to panic and request funding, without a firm strategy in place. Before you apply or receive money of any type, you'll need to [plan where it will be spent](#) and how you will measure success. Doing so will benefit your long-term planning as well as your loan application, as part of the process is documenting what the funds will be used for.

Do you qualify for an SBA Economic Injury Disaster loan?

Before applying, you'll want to check if you and your business are eligible to receive an SBA loan. Typically your eligibility is based on what your business does to receive income, your character as the owner, the purpose of the loan and where your business operates. All lenders and loan programs have unique requirements, but the following is the general eligibility criteria laid out by the SBA:

- **Your credit history is good:** Applicants must have a credit history that is acceptable to the SBA.

- **You're able to repay:** Being a loan, you must show the ability to repay, which can be showcased through your projected cash flow statements.
- **Your business is located in a declared disaster zone:** The state or county where your business is physically located must be [declared a disaster zone](#) and your losses must be due to the disaster.
- **Loans over \$25,000 require collateral:** The SBA will take real estate as collateral when it is available and loans will not be declined for lack of collateral.
- **You must be a registered business, non-profit, or owner of rental property:** Your business is officially registered and operates legally under federal and state laws.
- **Your business falls under a certain [size standard](#):** The amount of employees or average annual receipts falls within the small business size standard for your industry.
- **You are not an ineligible business:** Not all businesses can apply for Economic Injury Disaster Loans. For example, agricultural businesses, religious organizations, charitable organizations, gambling businesses, and casinos are not eligible.

SBA Loan Application Checklist

To qualify for one of these loans, you will need to fill out an [SBA loan application](#) and provide specific documentation. At first glance, the volume of information required might seem daunting, but not to worry, you most likely have almost everything you need already written up in [your business plan](#) and in your accounting software.

For those without a financial forecast or that have an outdated business plan, now is the perfect time to [put one together](#). Not only will pulling together a business plan help you assemble the necessary documents to qualify for a loan, but it can also provide greater insight into your [business's financials](#). It's a great time to start [forecasting](#) and [monitoring your cash flow](#) if you're not already. It will only help you better weather this economic storm.

Here's what you need to provide to meet the SBA Economic Injury Disaster Loan application requirements:

1. **A Business Loan Application:** This is [SBA Form 5](#), but it'll be easier to fill out using their [online application](#).
2. **Personal Background and Financial Statement:** Think of this as a verifiable snapshot of your personal background, including previous addresses, surnames, and any other important information you need to address upfront. The required form is [SBA Form 413](#).
3. **Past Sales and Sales/Expense Forecasts:** A vital piece of your application, where you establish the amount of money your company will need due to economic loss. Generally, this is shown by a decrease in income from operations or working capital, resulting in the inability to meet your obligations or standard operating payments. It may be helpful to develop a brief narrative to share alongside your filled out [SBA Form 1368](#).
4. **Schedule of Liabilities:** Again, you can fill this out as part of your [online application](#). This will be an overview of all of your debts and other liabilities. If you're not using the online application, fill out [SBA Form 2202](#).
5. **Historical Tax Returns:** This is required for each person that has ownership in the business of 20% or more. Fill out [IRS Form 4506-T](#).

Additional information that may be requested:

1. **Historical Financial Statements:** Your application may need to include historical financial statements. You should be able to export these from your accounting software, or if you use a financial reporting tool like LivePlan, you'll be able to export them from there:

- A [Profit and Loss statement](#) (income statement) that shows monthly detail for at least the last 6 months and summaries of the past 3 years.
- A [Cash Flow Statement](#) that shows your historical cash flow for the past 3 years.
- A [Balance Sheet](#) that shows your current assets and liabilities.

2. Projected Financial Statements (Forecasts) and budgets for 2020: This is where your [business plan](#) comes into play. You'll want to produce [budgets and forecasts](#) for 2020 – ideally a best-case, expected case, and worst-case [scenario](#) for your company. This will show lenders that you've thought about how your business works and how you plan on using a potential loan.

3. Ownership and Affiliations: A list of names and addresses of any subsidiaries and affiliates that you have a controlling interest in.

4. Business Certificate/License: Your original business license or certification.

5. Loan Application History: Records of loans that you've applied for in the past.

6. Federal Income Tax Returns: Signed documents for the past three-years of personal and business income tax returns.

7. Résumés: Detailed professional history of the company owner, leader or members of the leadership team.

8. Business Overview and History: A brief history of your company, challenges experienced and how the loan will help your business. You'll most likely be able to pull this information, from the [company and management summary](#) of your business plan.

9. Business Lease: A copy of your business lease signed by your landlord or proof of ownership.

Need a business plan to secure an SBA disaster loan?

Get all of the necessary documents in on place using one simple tool.

[Get LivePlan](#)

Get help from an advisor in your area

Free assistance with reconstructing financial records, preparing financial statements and submitting the loan application is available from any of SBA's partners: Small Business Development Centers (SBDCs), SCORE, Women's Business Centers (WBC), and Veteran's Business Outreach Centers and local Chambers of Commerce.

For the nearest office, visit: <https://www.sba.gov/local-assistance>

Secure funding using your business plan

When you apply for a business loan, even a disaster relief loan, having clear financial and operational documents is important. If you keep your [business plan](#) alive and current, it will

help you avoid putting these together on the spot. You'll also be able to [use your business plan as a management tool](#) to track the financial health of your business.

If you find the idea of writing or updating your business plan to be a daunting task, you may consider trying out [LivePlan](#). It's business planning software that walks you through a step-by-step planning process and is equipped with automatic financials that don't require complex spreadsheets or formulas. In uncertain times, such as these, you'll be able to easily run multiple forecasting scenarios to better track your actuals against your business plan, and get the insights you need to make smart, strategic decisions.

Learn how the team at Palo Alto Software [developed this living business planning tool](#) with small businesses in mind during the last economic recession.

Additional Business Planning Resources:

While we recommend using a tool like [LivePlan](#) to make business planning simple, we also have plenty of free resources to help you get started:

Business Growth and Management Guide: Resources and templates to help you make good strategic business decisions, track financial performance and refine your strategy as you go.

How to Write a Business Plan: Writing a business plan doesn't have to be difficult. Jump into writing your business plan today with our step-by-step guide.

Download a Free Business Planning Template: Start writing your business plan with our investor approved business plan template.

500+ Sample Plan Library: Unsure of where to start when updating or writing your business plan? Check out our library of over 500 industry-based sample plans for a better idea of what's required for your specific business.



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