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SBA To Offer Disaster Relief Assistance Loans to Eligible Businesses and Non-Profits Affected by Coronavirus (COVID-19)

by Anthony J. Zeoli

A FREEBORN & PETERS LLP CLIENT ALERT

The outbreak of the coronavirus (COVID-19) has forced many local businesses and organizations to close their doors, leaving owners wondering how they are going to deal with the loss of revenue and, in some cases, even how to survive. Thankfully, there will be some assistance for many small business owners as the U.S. Small Business Administration (SBA) recently announced that it will be offering low-interest federal disaster loans for working capital to small businesses in designated states and territories that have sustained substantial economic injury as a result of COVID-19.

This program can provide loans in amounts up to $2 million to eligible small business and not-for-profit organizations. To be eligible for these loans, your business or organization must be in in a state or territory that has been declared as a disaster area by the SBA (i.e., for which the SBA has issued an "Economic Injury Disaster Loan" (EIDL) declaration). This process starts with a state's or territory's Governor requesting a declaration of disaster from the SBA and evidencing related "economic injury" by multiple local businesses. The requisite hurdle is relatively small and many states have already set up websites to compile the necessary information. If you are a small business or not-for-profit organization that has experienced, or expect to experience, substantial economic injury as a result of COVID-19, you should check your county and state websites for further instruction on how to submit your information.

After an EIDL declaration has been made, information on the SBA Loan application process will be made available to the affected communities, and loans will be able to be extended to businesses within these communities. Please note that businesses with access to other sources of credit would not be eligible for assistance under this program. Assuming your business or organization is located in a state (and county) with an active EIDL declaration, and you don't otherwise have ready access to other sources of credit, you will be able to apply for a low-interest loan of up to $2M under this program (provided that the actual loan amount will be determined based on your actual economic injury and financial need). These loans will be at a 3.75% interest rate (2.75% for non-profits) and can be used for multiple businesses purposes, including paying debts, payroll and other obligations. The loan term will be determined on a case-by-case basis, based upon a borrower's ability to repay, but can be up to 30 years.

For Illinois businesses in particular, the SBA is actively working with the Governor's office to submit a request for an EIDL declaration. To accomplish this, the state is currently working to identify local businesses that have suffered (or expect to suffer) substantial economic injury as a result of COVID-19 and the Illinois Department of Commerce and Economic Opportunity (DCEO) has set up a website to streamline these efforts. If your business or organization falls within this category, we urge you to submit your information to the Illinois DCEO via their website as soon as possible to help expedite the declaration process.

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We will continue to follow this important program and offer updates as developments arise.
If you have any questions, please contact Anthony Zeoli (azeoli@freeborn.com; 312-360-6798) or another member of the Freeborn & Peters LLP Corporate Practice Group.

This is a rapidly evolving area of the law, so stay tuned for more developments on Freeborn's COVID-19 webpage.

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He concentrates his practice in the areas of banking and commercial finance, securities, real estate, and general corporate law. Anthony is also an industry leader in the areas of crowdfunding, blockchain, securities based cryptocurrency/token offerings, peer-to-peer (P2P) lending, and Regulation A+ offerings. He also personally drafted the Illinois intrastate crowdfunding exemption, which was unanimously passed into law by the Illinois House of Representatives.

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