U. S. Small Business Administration
Economic Injury Disaster Loans

NOAA Fisheries Public Meeting
December 2, 2013

Jack Camp, Public Affairs Specialist
U. S. Small Business Administration
Office of Disaster Assistance
Field Operations Center – East
Atlanta, Georgia

History

Since 1953, when the SBA started making disaster loans, the SBA has approved more than *$50 billion* in disaster loans to over 1.9 million homeowners, renters, businesses and non-profit entities.

SBA

U.S. Small Business Administration

The SBA's low-interest loan program was designed by Congress to enable those affected by unforeseen catastrophic events to recover with as little adverse impact as possible.

Governor's Certification Declaration

The SBA will make available **Economic Injury Disaster Loans** based on a Governor's certification that at least 5 small businesses have suffered substantial economic injury as the result of a disaster and are in need of financial assistance not otherwise available on reasonable terms

Jeanne Hulit
Acting Administrator
Small Business Administration

SBA Disaster Declaration # 13813

- On November 1, 2013, the SBA declared a disaster due to the commercial fishery failure beginning May 1, 2013
- Economic Injury Disaster Loans are available in **Barnstable, Bristol, Essex, Middlesex, Norfolk, Plymouth and Suffolk counties in Massachusetts; and Hillsborough and Rockingham counties in New Hampshire**
- Application Deadline: **August 1, 2014**

Economic Injury Disaster Loans (EIDLs)

EIDLs are available to small businesses small agricultural cooperatives, small aquaculture businesses and most private non-profit organizations

Examples of eligible businesses:

- Commercial fisherman
- Businesses that offer services directly related to fishing such as boat repairs, dock services and fishing equipment suppliers
- Other businesses indirectly related to fishing that are likely to be harmed by losses in the fish harvesting and processing sectors

Economic Injury Disaster Loans (EIDLs)

- EIDLs provide operating funds until a business or private, non-profit organization returns to normal operations
- To the extent a business could have made payments had the disaster not occurred, it may use the loan to make payments on short-term notes, accounts payable and installment payments on long-term notes
- EIDLs are for economic losses due to the disaster

Available Loan Terms

- Maximum loan is $2 Million.
- Maximum loan term is 30 years.
- Interest rates:
  Small Businesses & Small Agricultural Cooperatives: 4%
  Non-Profit Organizations: 3%
- These loans are available to small businesses and nonprofit organizations of all sizes

Credit and Collateral Requirements

- Credit History
  - Applicants must have a credit history acceptable to SBA
- Repayment
  - Applicants must show the ability to repay all loans

Collateral Requirements

Collateral

- EIDLs over $5,000 require collateral
- SBA takes real estate as collateral when it is available
- SBA will not decline a loan for lack of collateral, but requires you to pledge what is available

Complete Application Package

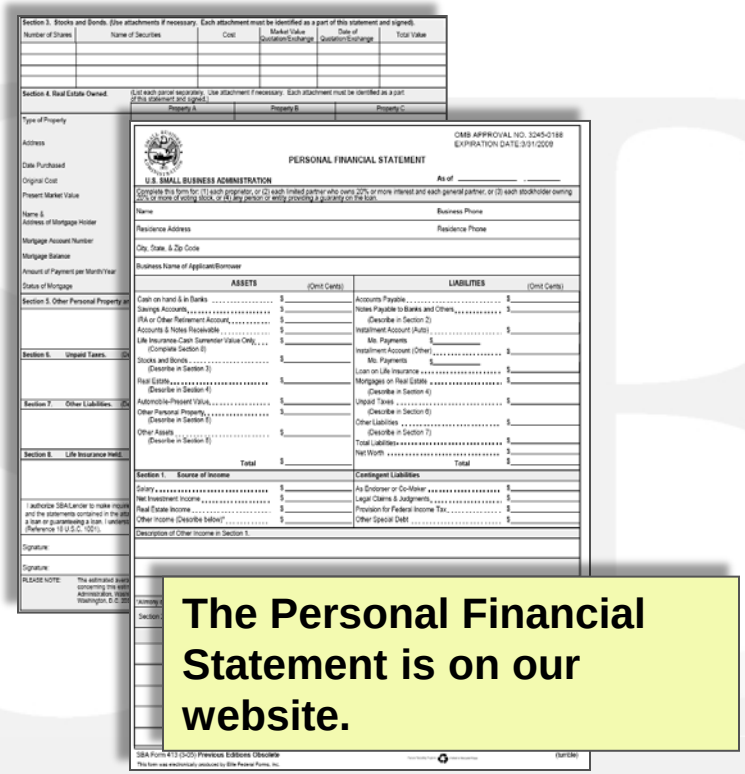
- Completed application (Form 5).
- Tax Information Authorization (IRS Form 8821)

  for the applicant, owners and affiliates
- The applicant's last three Tax Returns (if available)
- Schedule of Liabilities (SBA Form 2202)
- Personal Financial Statement (Form 413)
- Owners/Affiliates last Tax Return (if available)

Filing Requirements Continued

Other documents you will need to provide with loan application include:

- A current business balance sheet (dated within 90 days)
- A current profit and loss statement (dated within 90 days)



The Personal Financial Statement is on our website.

Current Balance Sheet

Current Profit & Loss Statement

Additional Economic Injury Requirements

U. S. Small Business Administration

OMB No. 3245-0017

ADDITIONAL FILING REQUIREMENTS

ECONOMIC INJURY DISASTER LOAN (EIDL)

* An EIDL is limited to providing working capital that is unavailable from other sources for an eligible business to continue operations until the effects of the declared disaster have passed. This means that the business and its principals must utilize their own resources to the maximum extent possible.

* To qualify, the APPLICANT must be a small business or a small agricultural cooperative, as defined in SBA's published size standards, without credit available elsewhere and be engaged in an eligible business activity.

* The APPLICANT must establish that the claimed economic injury is substantial and is a direct result of the declared disaster. Substantial economic injury generally means a sizable decrease in income from operations or working capital with the result that the business is unable to meet its obligations and pay ordinary and necessary operating expenses in the normal course of business.

Before you proceed, please read the "Economic Injury Loans for Small Businesses" pamphlet (DA-3) for a more comprehensive explanation of SBA's EIDL program.

PROVIDE THE FOLLOWING INFORMATION IN ADDITION TO THE REQUIREMENTS ON THE "DISASTER BUSINESS LOAN APPLICATION," SBA FORM 5

Monthly Sales Figures

Provide monthly sales figures (you may estimate if actual figures are not available) beginning 3 years prior to the disaster and continuing through the most recent month available.

PLEASE NOTE: Identify any estimates with a small letter "e" after the number.

Month	Fiscal year 1998	Fiscal year 1999	Fiscal year 2000	Current year/2001 To date
January	$ 35745	$ 39071	$ 35858	$ 0
February	$ 34649	$ 37486	$ 35288	$ 48
March	$ 40572	$ 40705	$ 36487	$ 0
April	$ 38532	$ 38244	$ 37383	$ 30863
May	$ 34553	$ 37342	$ 36321	$
June	$ 34146	$ 40235	$ 35062	$
July	$ 32813	$ 37456	$ 33918	$
August	$ 35042	$ 39494	$ 31078	$ 1997 Sales **
September	$ 35937	$ 38703	$ 6663	$ 31152
October	$ 38744	$ 37618	$ 330	$ 34511
November	$ 33674	$ 37118	$ 80	$ 32100
December	$ 37670	$ 35749	$ 48	$ 35924
*Totals	$ 432,077	$ 459,221	$ 288,516	$

** See next page

*Please note: the total figures for each year should reconcile to the sales figures on your tax returns for the corresponding fiscal year.

CONTINUED ON REVERSE

- Submit an SBA Form 1368, Additional Filing Requirements – Economic Injury Disaster Loan (EIDL)
- Provide a brief explanation of the economic loss caused by the disaster including an explanation of how the loan funds will be used

Quick Response Tips

- Your application can be processed quickly, but we need your help…

  ✓Make sure your application is signed

  ✓Get your questions answered up front – talk with an SBA disaster representative

  ✓Submit a completed application as soon as possible

  ✓Complete all supporting documents

  ✓Make sure an IRS Form 8821 is completed and on file for the applicant, each principal, and all affiliates

Where to Apply

Apply on line at: https://disasterloan.sba.gov/ela/

Submit completed disaster loan applications to:

U.S. Small Business Administration

Processing & Disbursement Center

14925 Kingsport Road

Fort Worth, Texas 76155-2243

Contact Information

For more information call our Customer Service Center at:

1-800-659-2955

Send an email to:
disastercustomerservice@sba.gov

visit:
http://www.sba.gov

or apply on line:
https://disasterloan.sba.gov/ela/

SBA Management & Technical Assistance Resources

Resource	Web Address
The Small Business Development Center (SBDC)	http://www.msbdc.org/
SCORE	http://www.score.org
SBA District Offices	http://www.sba.gov/localresources/index.html
Women's Business Centers	http://www.sba.gov/about-offices-content/1/2895
Small Business Learning Center	http://www.sba.gov/tools/sba-learning-center

Economic Injury Disaster Loans

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SBA's Toolbox Includes:

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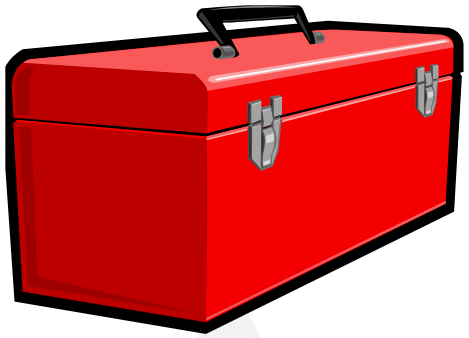

Counseling → Business Education & Training

Capital → Access to Financing

Contracting → Selling to the U.S. Government

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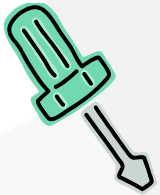
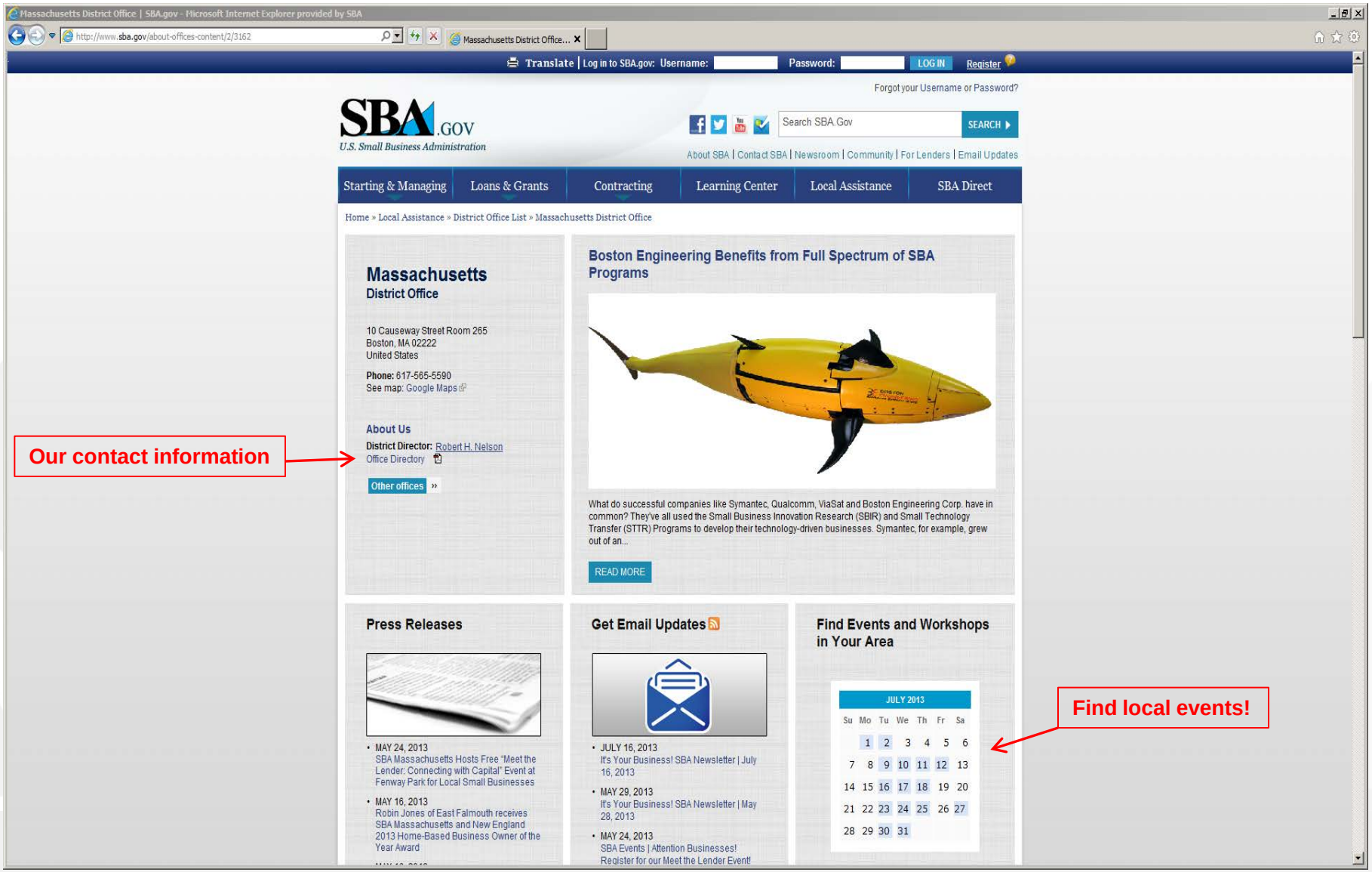


Advocacy and Disaster Assistance

Visit Our Local Website: www.sba.gov/ma



Our contact information

Find local events!

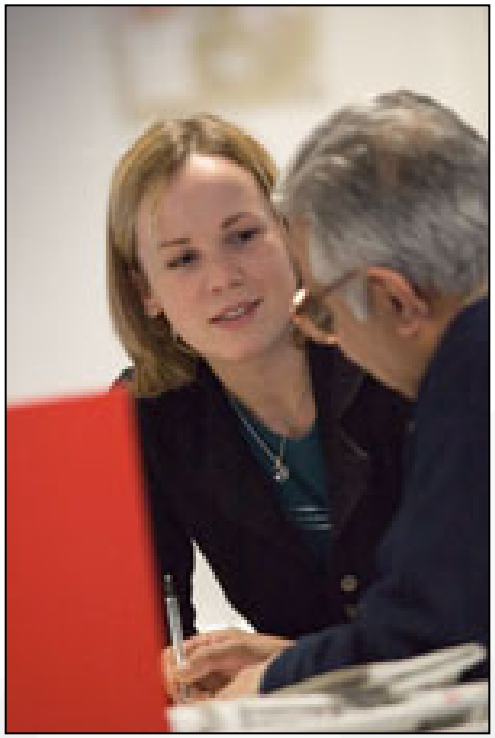
Counseling

SCORE: www.score.org

SCORE volunteers are statewide in 6 chapters

Experienced Volunteers Offering:

- Expert business counseling
- Marketing advice
- Business plan preparation
- Loan application assistance
- Online or in person counseling
- FREE AND CONFIDENTIAL



Contact SCORE:

Boston……617-565-5591
www.scoreboston.org
Cape Cod …… 508-775-4884
www.scorecapecod.org
Northeastern MA .. .978-927-2282
www.scorenemass.org

Southeastern MA….508-587-2673
www.scoresema.org
Western MA ……413-785-0314
www.scorewesternmass.org
Worcester …….. 508-753-2929
www.scoreworcester.org

Massachusetts Small Business Development Centers

MSBDC: www.msbdc.org

Paid advisors across the state in 6 regional centers.

- ✓ Free and Confidential
- ✓ Business plan and loan application assistance
- ✓ Combines resources of SBA, local government, private sector and academia
- ✓ Export and government contracting assistance.
- ✓ Typically located at colleges and universities: U-Mass Amherst and Boston, Salem State and Clark University

Contact the MSBDC:

Boston	617-287-7750
Pittsfield	413-499-0933
Worcester	508-793-7615
Salem	978-542-6343
Fall River	508-673-9783
Springfield	413-737-6712
Govt. Contracting	413-737-6712 x 105
Export Help	617-973-8664

Massachusetts Small Business Development Center Network

M S B D C

The Center for Women & Enterprise

CWE: www.cweonline.org

Center for Women & Enterprise
Your Vision. Our Mission.

Centers in Boston and Worcester provide:

- Classes on how to write a business plan
- Support in launching your business
- Opportunities for networking with other business owners
- 2-hour topic-specific workshops
- One-on-one legal and business consulting
- Classes to support you in your job search

Boston: ..... (617) 536-0700

Worcester: ..... (508) 363-2300

www.business.usa.gov

- Provides legal and regulatory information

- Complete info on Launching, Managing, Growing and Getting Out of Business

Topic include:

- Start a Business
- Grow Your Business
- Access Financing
- Expand Exporting
- Find Opportunities
- Veteran

Small Business Training Network

www.sba.gov/services/training

- Training any time & any where with computer and Internet access

•Internet-based training site provides:

- ➢ Free online courses and workshops
- ➢ Learning tools
- ➢ Direct access to electronic counseling and other forms of technical assistance

Questions ?

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Economic Development Specialist

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www.sba.gov/ma

www.sba.gov

7(a) Guaranteed Loan

Made by private lenders, with SBA guarantee – SBA helps the bank get to the YES decision with credit enhancement.

- Maximum loan size $5 million
- 85% guaranty on loans below $150,000.
- 75% guaranty on loans above $150,000

The 7a Loan Guarantee Program

7 (a) Loan Program Details

- SBA's Primary Business Loan Program
- Broad eligibility requirements
- Wide range financing options
- Maximum loan amount increased from $2 million to **$5 million**
- 85% guarantee on loans up to $150,000
- 75% on loans > $150,000

7(a) Loan Program Maturities & Interest Rates

- 10 years for working capital, machinery, equipment
- Up to 25 years for real estate, construction
- Prime + 2.25% for loans of 7 years or less
- Prime + 2.75% for loans over 7 years
- Rates can be higher for smaller loans

7(a) Program Guarantee Fees

- 2% on loans up to $150,000 (this fee waived for loans approved 10/1/13-9/30/14)
- 3% on loans $150,001 - $700,000
- 3.5% on loans $700,001 - $ 1 million
- 3.75% on loans > $1 million

Why Do Lenders Use the SBA Guaranty?

- Longer maturities are needed
- Collateral may be inadequate to meet normal underwriting
- Start-up or certain types of businesses
- Business leverage
- Lender’s legal or policy limit
- Minimize risk

Financing—What Does SBA Look For

- Owners and operators w/ good credit & character
- Feasible business plan
- Management expertise and commitment necessary for success
- Sufficient funds, including SBA guaranteed loan, to operate the business on a sound financial basis
- Adequate equity investment in the business
- Sufficient collateral, however, SBA is a cash flow lender and not a collateral lender.
- Ability to repay the loan on time from the projected operating cash flow.

Eligibility Requirements

- Be operated for profit
- U.S. citizens or owners with verified “green card” status
- Not exceed SBA size standards
- Owners must be of “good character”
- Meet SBA’s “personal resource test”
- Owners must possess management ability and have experience in field.
- Demonstrate repayment ability
- Not engaged in lending, real-estate development, investments or speculation

Eligible Use of Loan Proceeds

SBA loans may be used to:

- Purchase machinery, equipment, fixtures, buildings and land for business;
- Finance receivables and augment working capital;
- Refinance existing debt - including credit card debt (with compelling reason);
- Finance seasonal lines of credit; and/or
- Expand, renovate facilities;
- Construct commercial buildings.
- Change of ownership/purchase of a business
- Most legitimate business purposes

Debt Refinancing Criteria

A lender may refinance an existing non-SBA guaranteed loan or borrower debt from another lender if: The existing loan no longer meets the needs of the applicant

- Requires “substantial benefit” to applicant
- Looks to 10% improvement in monthly payments (P & I)

- SBA requires copies of all notes that will be refinanced
- Demand, interest only, balloon notes will automatically meet substantial benefit test

Debt Refinancing Criteria

Existing debt is **presently on unreasonable terms** if it is:

- a) short or long term debt structured with a demand note or balloon payment;
- b) debt with an interest rate that exceeds the SBA maximum interest rate for the processing method used;
- c) credit card obligations used for business related purposes;
- d) debt that is over collateralized (however, the SBA guaranteed loan must meet SBA collateral requirements).
- e) revolving lines of credit (short or long term) where the original lender is unwilling to renew the line or the applicant is restructuring its financing in order to obtain a lower interest rate or longer term;
- f) debt with a maturity that was not appropriate for the purpose of the financing (e.g. a 3 year term loan to finance a piece of equipment with a useful life of 15 years);
- g) debt used to finance a change of ownership under certain conditions (see SOP 50 10 5 (D), Subpart B, Chapter 2, Paragraph II E.2.g Pages 132-133); or
- h) debt the Lender believes no longer meets the needs of the Small Business Applicant.

Questions ?

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www.sba.gov/ma

www.sba.gov