

COVID-19 and loan assistance for small businesses

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Small businesses in designated U.S. states and territories are now eligible to apply for an economic injury disaster loan (EIDL) due to the 2019 novel coronavirus (COVID-19) through the U.S. Small Business Administration (SBA).

These loans provide working capital to small businesses suffering substantial economic injury as a result of COVID-19. The loans may be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid as a result of the effects of the COVID-19 pandemic. The loans may not be used for expansion or to replace lost sales or profits.

EIDL basics

Eligible businesses may apply for loans for up to \$2 million. Eligibility is based on size, type of business and financial resources. The loan term may be up to 30 years, determined on a case-by-case basis. The interest rate is 3.75 percent for small businesses and 2.75 percent for non-profits. The loans may be prepaid at any time without penalty. Loans more than \$25,000 require collateral and SBA may agree to a subordinate lien position. It will be important for businesses to review their existing loan documents regarding any restrictions on additional debt or liens, and determine if consent of their current lender is required before they start the application process.

Wisconsin was approved as a designated state by SBA on March 20, 2020. Businesses can apply online through [SBA's secure website](#). Paper applications can also be downloaded and mailed to SBA, although filing electronically is easier, faster and more accurate.

SBA EIDL filing requirements

The following required forms are included in the SBA's online application:

- Completed SBA loan application (SBA Form 5 or 5C for sole proprietorships)
- Tax Information Authorization (IRS Form 4506T) for applicant, 20 percent owners and 50 percent affiliates
- Complete copies of the most recent federal income tax return
- Schedule of Liabilities (SBA Form 2202)
- Personal Financial Statement (SBA Form 413) for 20 percent owners or general partners

The SBA may request additional information, including a current year-to-date profit and loss statement and monthly sales figures (SBA Form 1368).

The information contained herein is based on a summary of legal principles. It is not to be construed as legal advice. Individuals should consult with legal counsel before taking any action based on these principles to ensure their applicability in a given situation.

Other information you should know

Beyond the aforementioned forms, be aware of the following:

- When applying, check the EIDL loan box
- It is recommended that a business apply for a minimum of 6 months' expenses, however each business' requirements will be different
- SBA may take up to 21 days to review an application
- If the most recent federal income tax return has not been filed, submit a year-end profit and loss statement and balance sheet instead
- Documents will be sent directly to the business with instructions to return to SBA and, once reviewed for completeness, funds will be directly deposited into the designated account
- A business may decline a loan and reactivate the application process within 6 months

For more information on SBA EIDL loans, contact Jennifer Wolff, John McDonald or Kristin Roeper to learn more.