

# BURR ALERT

## U.S. Small Business Administration to Offer Coronavirus Disaster Relief Assistance Loans

By Callie Whatley

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On March 12, 2020, the U.S. Small Business Administration (“SBA”) [announced](#) that it will begin offering federal disaster loans for working capital to small businesses that “have sustained substantial economic injury” due to the spread of the coronavirus (“COVID-19”).<sup>1</sup> The SBA will work with state governors to identify severely impacted territories and provide low-interest loans to help small businesses cope with the temporary loss of revenue.

### Economic Injury Disaster Loan Declaration:

Upon receiving a loan request from a state’s or territory’s governor, the SBA will issue an [Economic Injury Disaster Loan \(“EIDL”\)](#) declaration in accordance with the recently-enacted [Coronavirus Preparedness and Response Supplemental Appropriations Act](#).<sup>2</sup> The governor’s declaration will make loans available to small businesses and private, non-profit organizations in state or territory’s designated areas.

### EIDL Eligibility and Loan Terms:

After an EIDL declaration, the governor’s office will release applications and formal guidelines to impacted communities. Businesses located within the [declared state or territory](#) will be eligible to apply. As of March 21, 2020, all states located within [Burr and Forman’s footprint](#), including Alabama, Delaware, Florida, Georgia, Mississippi, North Carolina, South Carolina and Tennessee have been declared disaster areas and are now eligible to receive relief loans.

Loans will be available to small businesses without access to credit, however, businesses with access to alternative sources of credit are not eligible for assistance.<sup>3</sup> Eligible businesses may apply for up to \$2 million to help cover fixed debts, payroll and other obligations that cannot be paid because of the impact on revenue due to COVID-19. Businesses will qualify for an interest rate of 3.75%, and

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<sup>1</sup>U.S. Small Business Administration, *SBA to Provide Disaster Assistance Loans for Small Businesses Impacted by Coronavirus (COVID-19)* (March 12, 2020), available at <https://www.sba.gov/disaster-assistance/coronavirus-covid-19>

<sup>2</sup> ‘Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020, H.R. 6070, 116th Cong. Pub.L. 116-123 (2020), available at [Congress.gov](https://www.congress.gov)

<sup>3</sup> Depending on your industry, a small business could be defined as business with a maximum of 250 employees or a maximum of 1,500 employees. Small business are privately owned corporations, partnerships, or sole proprietorships that have less revenue than larger businesses.

nonprofits will have an interest rate of 2.75%. Loans exceeding \$25,000 in aggregate will be required to provide available collateral in the form of liens on replacement property, or security interests in personal/business property or both. SBA will not decline a loan for lack of collateral if the borrower acts in good faith and demonstrates the ability to repay based on information available at the time of origination. Loan amounts will be determined based on each applicant's actual economic injury and demonstrated financial need. Repayment terms (up to a maximum of 30 years) will be determined on a case-by-case basis, based upon a borrower's ability to repay.

#### What Small Businesses Can Do to Help:

Several localities around the country have begun collecting voluntary information from small businesses to document and report the economic impact of COVID-19 in support of an EIDL declaration. Small business owners are strongly encouraged to participate in this data-collection, as it helps demonstrate the impact's scope and expedite governors' efforts to issue EIDL declarations and submit relief requests. Business owners can check [here](#) to see if their area has been declared a disaster area and should frequently check their respective county and state websites for further instruction.

#### To discuss this further, please contact:

[Callie Whatley](#) in Birmingham at [cwhatley@burr.com](mailto:cwhatley@burr.com) or at (205) 458 5441 or the Burr & Forman attorney with whom you normally consult.

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