

Small Business Administration Disaster Loans

On 6 March 2020, Congress passed legislation making the COVID-19 crisis a disaster situation eligible for Small Business Administration (SBA) Economic Injury Disaster Loans (EIDLs). On 17 March the [SBA Administrator issued revised criteria](#) for states or territories seeking an economic injury declaration related to COVID-19. Under the revised criteria, states or territories are only required to certify that at least five small businesses within the state/territory have suffered substantial economic injury. After a state issues an economic injury declaration, the legislation makes disaster assistance loans available statewide. Small businesses are then eligible to apply for EIDLs of up to \$2 million.

As of the date of this memo, small business owners in all U.S. states and territories are currently eligible to apply for a low-interest loan due to COVID-19.

Theater owners should also be aware that Congress is working on phase III stimulus legislation that will include additional assistance for small business owners through the SBA. **Loans from these additional assistance programs will not be able to be commingled with funds from disaster loans.**

Please note: This memo does not constitute legal advice. We urge exhibitors eligible for SBA loans to consult with counsel about specific eligibility criteria and the application process.

Who is Eligible for Disaster Loans?

The Economic Injury Disaster Loans (EIDLs) are available to help small businesses, small agricultural cooperatives, small businesses engaged in aquaculture, and most private, non-profit organizations of all sizes meet their ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. These loans are intended to assist through the disaster recovery period.

Generally, movie theaters qualify as small under the SBA standards if they have no more than \$41.5 million in average annual receipts, and for drive-ins, if they have average annual receipts of no more than \$8 million. Go [here](#) for more information on qualifying as a small business.

Borrowers that already have SBA-guaranteed loans are still eligible for EIDLs, however the EIDLs may not be used to pay off existing prior SBA guaranty or disaster loans.

What Expenses are Covered?

Eligible business may apply for loans of up to \$2 million to cover ordinary and necessary financial obligations that cannot be met as a direct result of the disaster. Such costs include: fixed debts, payroll, accounts payable, and other bills that can't be paid because of the disaster's impact. The loans cannot be used to refinance long-term debts. The SBA Disaster Loan Officer will determine how much the borrower needs based on historical financial information and other information in the application package.

What are the Loan Terms?

The interest rate on the loan is 3.75% for small businesses. The interest rate for non-profits is 2.75%. The SBA offers loans with long-term repayments in order to keep payments

affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

Loans may be issued in a lump sum or installments, as determined by the borrower.

What Documents Are Needed to Apply?

Businesses will have to provide certain documentation to prove creditworthiness. Specifically, borrowers should be prepared to offer the following:

- Credit History - Applicants must have a credit history acceptable to SBA.
- Repayment - Applicants must show the ability to repay the loan.
- Collateral - Collateral is required for all EIDL loans over \$25,000. SBA takes real estate as collateral when it is available. SBA will not decline a loan for lack of collateral, but SBA will require the borrower to pledge collateral that is available.

[This page](#) includes other information on the loan process including timing, and other information that may be necessary.

This application is free to prospective borrowers. If you are approached by a packager offering application assistance services for a fee, to be very wary of the offer.

Where Do I Apply?

The loan application page is available [here](#). Applicants with operations in several states should apply in the state where they are headquartered.

Loans will likely take 2-3 weeks to process. Once the loan is finalized, the funds can be expected in another 5-7 days.

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