



# Mississippi SBDC Business Update

## COVID - 19 Business Continuity in our Communities

The U.S. Small Business Administration (SBA) has designated COVID-19 as a qualifying event for the provision of Economic Injury Disaster Loans (EIDL) for businesses and private non-profits in declared zones.

### Here's what you should know:

#### **What is the EIDL?**

The EIDL is a low-interest, fixed-rate **loan** that can provide up to \$2 million in assistance for a small business. SBA's Economic Injury Disaster Loan (EIDLs) funds come directly from the U.S. Treasury. Applicants do not go through a bank to apply, and instead, apply directly to [SBA's Disaster Assistance Program](#).

Actual loan amounts are based on the amount of economic injury. These loans provide vital economic support to small businesses to help overcome the temporary loss of revenue they are experiencing because of COVID-19. The EIDL helps meet the necessary financial obligations that your business or private non-profit organization could have met had the disaster not occurred. **EIDLs do not replace lost sales or revenue.**

#### **Is my business eligible to apply for the EIDL?**

The EIDL provides up to \$2 million of financial assistance to small businesses or private, non-profit organizations that suffer substantial economic injury as a **direct result** of the declared disaster. This includes:

- Businesses directly affected by the disaster
- Businesses that offer services directly related to the businesses in the declaration
- Other businesses indirectly related to the industry that are likely to be harmed by losses in their community (Example: Manufacturer of widgets may be eligible as well as the wholesaler and retailer of the product.

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. The business can be a sole proprietorship, LLC, corporation, or private non-profit. To see if your business qualifies, see the [SBA's definition of a small business here.](#)

Organizations that are not eligible include religious and charitable organizations, gambling concerns (Ex: Concerns that derive more than 1/3 of their annual gross revenue from legal gambling activities), and casinos and racetracks (Ex: Businesses whose purpose for being is gambling (e.g., casinos, poker parlors, etc.) are not eligible for EIDL assistance regardless of 1/3 criteria above.



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## **What can the funds be used for?**

These working capital loans may be used to pay:

- fixed debts
- payroll
- accounts payable and
- other bills that can't be paid because of the disaster's impact.

The working capital loan may not be used for refinancing, expansion, growth of any kind, or infrastructure improvements.

## **What is the lending criteria?**

- **Credit history** – Applicants must have a credit history that is acceptable to the SBA. The SBA will look at extenuating circumstances if bad credit is recent and can be shown to be caused by the COVID-19 pandemic.
- **Repayment** – As with all loans, you will need to prove that you have the ability to repay the loan.
- **Collateral** – When applying for loans greater than \$25,000, the business must provide collateral. The SBA requires borrowers to pledge what is available including real estate. Loans under \$25,000 can be unsecured.

## **What are the terms?**

The interest rate is 3.75% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible.

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.

## **When can I apply?**

Applications for Economic Injury Disaster Loans are open now in Mississippi .

[Click here to access the loan application.](#)

## **Here's what you can do to prepare:**

Gather the following information:

- Most recent Federal Tax Return
- Year-End Profit & Loss Statement
- A current year to date Profit & Loss Statement
- Monthly break down of sales figures



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## Get Familiar with the Necessary SBA Forms:

- Completed SBA loan application ([SBA Form 5](#) for business) or ([SBA Form 5C](#) for sole proprietor)
- Tax Information Authorization ([IRS Form 4506T](#)) for the applicant, principals and affiliates (20% Owners/GP/50% Affiliate)
- Schedule of Liabilities ([SBA Form 2202](#))
- Personal Financial Statement ([SBA Form 413](#)). 20% Owners/GP
- [Follow this link to see PDF copies of all the forms and instruction pages.](#)

## Remember:

- Applications are available online on the [SBA's Disaster Loan Assistance site](#).
- There is no cost to apply for the loan.
- If your loan is approved you are not obligated to accept the funds

**This loan application will require you to print, scan and email certain documents.**

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