

U.S. Small Business Administration



Your Small Business Resource

DISASTER ASSISTANCE

Economic Injury Loans for Small Businesses

U.S. Small Business Administration

FAQs: Frequently Asked Questions

Frequently Asked Questions About Reopening the Economic Injury Disaster Loan Declarations for the 2005 Gulf Coast Hurricane Disasters

Q. Why is the U.S. Small Business Administration (SBA) reopening the Economic Injury Disaster Loan (EIDL) application filing period for small businesses affected by the 2005 Gulf Coast hurricanes?

A. On May 25, 2007 President Bush signed Public Law 110-28. This law authorizes SBA to reopen the filing period for EIDLs to pre-existing small businesses located in a parish or county which the President declared a major disaster area because of the hurricanes in the Gulf of Mexico in calendar year 2005. For a list of the declared parishes and counties, go to www.sba.gov/services/disasterassistance/basics/recentdisaster.

Q. Which 2005 Gulf Coast hurricanes does this include?

A. Hurricanes Dennis, Katrina, Rita and Wilma are included in this law.

Q. What small businesses does the law affect?

A. Under the law, pre-existing, small, non-farm businesses in the 143 declared counties and parishes in the five Gulf Coast states of Alabama (Dennis and Katrina), Florida (Dennis and Wilma), Louisiana (Katrina and Rita), Mississippi (Katrina), and Texas (Rita) are eligible to apply to SBA for EIDL assistance. Businesses primarily engaged in farming or ranching are not eligible for SBA disaster assistance. Agricultural enterprises should contact the Farm Services Agency (FSA) about possible U.S. Department of Agriculture (USDA) assistance.

The law does *not* reopen the filing period for physical damage to homes or businesses.

Q. What does pre-existing business mean?

A. The business must have been in operation in the disaster area at the time the 2005 hurricane struck the Gulf Coast.

Q. When is the new EIDL application filing deadline?

A. December 31, 2007.

Q. If my business suffered substantial economic injury from the 2005 hurricanes, am I eligible to apply for an SBA loan?

A. Yes.

Q. What is the maximum loan amount?

A. The maximum amount a business with its affiliates may borrow for any one disaster is limited to \$1.5 million. If a business is a major source of employment, SBA has the authority to waive the \$1.5 million statutory limit.

Q. How much money may I borrow?

A. An EIDL loan provides funds for your business to meet its ordinary and necessary operating expenses until your business returns to normal. The amount of each loan, up to the maximum, is limited to the actual economic injury as calculated by SBA, not compensated by business interruption insurance or otherwise, and beyond the ability of the business and/or its owners to provide. In determining your eligible amount, SBA will consider:

- the total of your debt obligations;
- operating expenses that mature during the period affected by the disaster, plus the amount you need to maintain a reasonable working capital position during that period; and,
- expenses you could have met and a working capital position you could have maintained had the disaster not occurred.

Q. My business did not sustain any property damage during the hurricane. Can I still apply for an EIDL?

A. Yes.

Q. What is substantial economic injury?

A. Substantial economic injury is the inability of a small business to meet its ongoing obligations as they mature and to pay its ordinary and necessary operating expenses due to the effects of the disaster. It does not include lost profits.

Q. How long is the economic injury period?

A. It is the period from the occurrence of the disaster until normal business operations return. SBA will determine the injury period based on each business's circumstances.

Q. How may I use the funds from my loan?

A. You may use the funds for working capital to pay ordinary business expenses, and to make payments on short-term notes, accounts payable and installment payments on long-term notes until the business returns to normal operations.

You may *not* use EIDL funds to refinance long-term debt, expand the business, or purchase new inventory.

You may *not* use EIDL funds to repair physical disaster damage.

Q. If I can borrow from a bank, am I still eligible for SBA assistance?

A. Federal law requires SBA to determine whether credit in an amount needed to accomplish full disaster recovery is available from non-government sources without creating an undue financial hardship to the applicant. The law calls this credit available elsewhere. We determine the availability of sufficient credit from non-government sources on reasonable terms and conditions (based on cash flow and available assets of the applicant) through a comprehensive analysis of all the financial information submitted to us for consideration. We apply this test uniformly to all disaster loan applicants. By law, EIDLs are available only to applicants who do not have credit available elsewhere.

Q. What is the interest rate and how long will I have to pay off my SBA loan?

A. The interest rate is 4 percent. SBA will assess your financial situation and will set loan terms based on your needs and repayment ability. The maximum maturity for disaster loans is 30 years.

Q. What kind of documentation will I need to provide?

A. The filing requirements are:

- Completed loan application (SBA Form 5)
- Signed IRS Form 8821 for the business, each owner, and each affiliate, along with a copy of the most recently filed Federal Income Tax return (*if available*) for the business, each owner, and each affiliate
- Personal Financial Statement (SBA Form 413) for each owner
- Current Income Statement and Balance Sheet, dated within 90 days (*if available*)
- List of Business Debts (Schedule of Liabilities may be used for this purpose)

Note: For these disasters SBA does not require three years' tax returns or the Monthly Sales Analysis (SBA Form 1368).

Q. If I show SBA that I am not making a profit, is that enough to qualify me for an EIDL?

A. No. Neither a lack of profit nor a loss of anticipated sales alone is sufficient to establish substantial economic injury. Substantial economic injury occurs only when you cannot meet current obligations because of the disaster. Indicators of economic injury might be a larger than normal volume of receivables, a lower sales volume, slow inventory turnover, and the development of delinquencies in trade payables, current accruals and debt payments.

Q. What if I already received an economic injury disaster loan, but it is not enough to meet my needs?

A. You may request an increase to your existing loan to cover the additional economic injury. SBA will evaluate the new information you provide and determine the reasonableness of your loan request.

Q. Are religious and nonprofit organizations eligible for an EIDL?

A. No. Only profit-oriented, operating small businesses and small agricultural cooperatives may apply.

Q. How soon will I know if I get the loan?

A. That depends on how soon you file a complete SBA loan application. We must calculate the amount of economic injury and the working capital and other needs of your business. We must take reasonable safeguards to ensure you are able to repay the loan, and that the business and owners have a reasonable credit history. The SBA loan application asks for the information we need. Since we process applications in the order received, the faster you can return your application with all the needed information, the faster we can work on it. Missing information is the biggest cause of delay, so be sure the information in your application is complete.

Q. Do I need insurance to get a loan?

A. To protect each borrower and SBA, we require borrowers to obtain and maintain appropriate insurance. Borrowers of all secured loans (economic injury loans over \$5,000) must purchase and maintain full hazard insurance for the life of the loan. Borrowers whose collateral property is located in a special flood hazard area must also purchase and maintain flood insurance for the full insurable value of the property for the life of the loan.

If the business was legally required to maintain flood insurance but did not, we will not make you a disaster loan.

Q. What if I need help filling out my application, or have questions about SBA's EIDL program?

A. Information, application forms and free assistance in applying are available at three SBA Disaster Loan Outreach Centers and one Disaster Recovery Center in the New Orleans area, and at all Small Business Development Centers throughout the five Gulf Coast states. Appointments are not necessary. Below are the locations of the New Orleans centers and links to the SBDCs in the declared states:

SBA customer service representatives are on hand at the following locations:

Orleans Parish – New Orleans

Welcome Home Center
1250 Poydras Street, 14th Floor
New Orleans, LA 70113
Mondays – Fridays 9:00 am – 5:00 pm
Saturdays 9:00 am – 1:00 pm

St. Bernard Parish - Chalmette

8101 West Judge Perez Drive
In the northeast corner of WalMart parking lot
Chalmette, LA 70043
Mondays – Fridays 9:00 am – 5:00 pm
Saturdays 9:00 am – 1:00 pm

Jefferson Parish - Gretna

Gretna Community Center
1700 Monroe Street
Corner of Monroe Street & Kepler
Gretna, LA 70053
Mondays – Fridays 9:00 am – 5:00 pm
Saturdays 9:00 am – 1:00 pm

Jefferson Parish - Metairie

Crescent City Celebration School
4828 Utica Street
Metairie, LA 70006
Mondays – Fridays 9:00 am – 5:00 pm
Saturdays 9:00 am – 1:00 pm

SBDCs in declared states:

Florida <http://www.floridasbdc.com>
Mississippi <http://www.mssbdc.org>
Dallas <http://www.ntsbdc.org>

Alabama <http://www.asbdc.org>
Louisiana <http://www.lsbdc.org>
Houston <http://www.sbdcnetwork.uh.edu>

You may obtain additional information and application forms by calling toll-free (800) 659-2955, or on SBA's website at www.sba.gov/services/disasterassistance. Hearing impaired business owners may call (800) 877-8339.