



SBA Economic Injury Disaster Loan

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Welcome!

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- Eligibility
- Underwriting Considerations
- Documentation
- General Guidelines for Working with Clients

For Client Meetings



Here is a quick screening for TA providers to use for SBA COVID-19 EIDL loans interviews with clients

This is a fluid and unprecedented event.
Various proposals are being discussed in D.C.
Guidelines and criteria may change.
CAMEO will provide information as we have it.

Are They Eligible?

- All California counties are eligible
- Annual sales are <\$8M in sales for service/retail, or<500 employees for manufacturing
- No credit / cash reserves elsewhere
- Citizen, legal immigrant or Green Card
- Ineligible types of firms: churches, casinos, cannabis, pawn shops, or porn

Underwriting Guidance

Credit History

- No Bankruptcies in past two years
- Credit scores >600
- No major non-disaster delinquencies

Most SBA turndowns are for poor credit.
Pull a credit report before sending in application.

Underwriting Guidance

Public Records on Credit Report

- No federal defaults
- No delinquent student loans
- No delinquent child support
- No tax liens
- No defaults on SBA loan

...can be approved if workout plans are in place

Underwriting Guidance

Debt Servicing Capacity – Cashflow

- Adding EIDL debt service to pre-disaster expenses + existing loan payments can be covered with pre-disaster revenues. (See our worksheet for help.)
- If they were not breaking even before disaster SBA will not approve more debt

Underwriting Guidance



Security

- Loans over \$25K require collateral
- Personal guarantees are required

Documentation



- Prepare a Draft SBA Disaster Application (Form 5) but apply online only using the SBA Electronic Loan Application version of Form 5
- Client needs to do an IRS 4506T -- allows IRS to provide past tax return info. There should be no discrepancies between what IRS transcript shows with the tax returns provided to SBA

Documentation

- Personal Financial Statements for all >20% owners (use SBA Form 413)
- Schedule of all Liabilities and status of currency on all fixed debt
- No tax returns are being required in this disaster round

Documentation



- Year-to-Date P&Ls
- Use SBA Form 1368 to show loss information.
- **MOST IMPORTANTLY** to show break even/profits before disaster and revenue drop off after disaster declaration date of January 31, 2020

What Does SBA Look For?

Demonstrated losses due directly to the disaster.

- Gather information on prior period sales, losses of bookings, cancelations of purchases and contracts, comparisons of year-over-year revenues.
- This only demonstrates eligibility, not the amount to request for loan amount.
- This is what SBA defines as 'Loss'

What Does SBA Look For?

Minimum necessary for continued operation: Need, not Loss

- Provide specific dollar amount on minimum necessary to maintain operations until return to normal operations.
- This includes the net difference between any revenues expected and all fixed operating expenses.
- This includes all debt service obligations, salaries, fixed costs for operating during the disaster period.
- Can include owner draw.

What Does SBA Look For?

Firm's Capacity to add the additional EIDL Debt Service

- If the firm cannot add enough debt service to cover the Need, the loan amount will be reduced to the firm's DS capacity.
- Disaster loans theoretically set to the term necessary to fit Capacity, but most get termed at 30 years.
- Example: 30-year loan for \$50,000 at 3.75%: about \$230 per month. (See our worksheet for assistance.)

In Summary

- The **loss** demonstrates edibility for a disaster loan
- The **need** is what business needs for basic survival
- The **capacity** is the ability to take on additional debt
- There is a 12-month deferral before payments start
- A disaster loan tides business over until things go back to normal, assuming the business can recover to pre-disaster levels in 12 months

In Summary

- Strong enough (pre-disaster) to add more debt...but without cash reserves or access to regular credit sources
- If too weak or have existing credit problems, they are turned down for lack of repayment/cash capacity.
- If adequate sources to cover expenses, they are turned down for credit available elsewhere
- Expect at least 30 days for a response

As information becomes available...

- As CAMEO verifies information on disaster support for small business, we will quickly schedule webinars
- Visit our resource page: <https://cameonetwork.org/coronavirus-resources-for-business>
- Added three tip sheets from Credit Builders Alliance on helping clients manage credit in times of disaster
- [SBA website for COVID Assistance](#) for small business