

Illinois Small Businesses Now Eligible to Apply for SBA Disaster Loans

By Brian T. Bedinghaus and Mark L. Sarlson

The state of Illinois has been added to the list of Presidential and SBA Agency Declared Disaster States. This designation enables Illinois small businesses to apply for low-interest SBA Economic Injury Disaster Loans in an amount of up to \$2 million, depending on the applicant's actual economic injury and financial need. The loans are being offered at interest rates of 3.75% for small businesses and 2.75% for private non-profits, with long-term repayment schedules of up to 30-years to help keep payments affordable.

The 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. Presumably eligible uses of proceeds would include rent payments and other loan payments, but the loans are not to be used for replacing lost sales or profits, business expansion, or refinancing existing debt. Loan applicants must be able to exhibit an acceptable credit history and an ability to repay the loans, and the SBA may require the borrower to pledge acceptable collateral as security for the loans. No specific guidance has been provided as to the calculation of the amount of fixed expenses that will be allowed. Given that President Trump has indicated that the COVID-19 crises may not be under control until August at the earliest, the calculation of fixed expenses through the end of the year does not seem unreasonable.

To qualify for the disaster loans, businesses must meet the SBA's small business standards based on revenue and number of employees, and they must be otherwise unable to obtain credit elsewhere. Businesses must also operate within an eligible industry based on SBA standards. A non-exhaustive list of eligible industries includes hotels, recreational facilities, charter boats, manufacturers, sports vendors, owners of rental property, restaurants, retailers, souvenir shops, travel agencies, and wholesalers. Ineligible industries include certain agricultural enterprises (if the primary activity is as defined in Section 18(b)(1) of the Small Business Act), religious organizations, charitable organizations, casinos and racetracks, and other gambling concerns (businesses that derive more than 1/3 of their annual gross revenue from legal gambling activity).

Applications for the loans are made directly to the SBA and not through a bank. For more efficient processing, the SBA Form 5 application (SBA Form 5C for sole proprietorships) may be completed online [here](#). Alternatively, the paper application form may be [downloaded here](#) and mailed to: U.S. Small Business Administration, Processing and Disbursement Center, 14925 Kingsport Road, Fort Worth, TX 76155-2243. In addition to the application form, the SBA will also need the following:

- Tax Information Authorization (IRS Form 4506T) for the applicant, principals and affiliates
- Complete copies of the Applicant's most recent Federal Income Tax Return.
- Schedule of Liabilities (SBA Form 2202)
- Personal Financial Statement (SBA Form 413)

The SBA may also request:

- A complete copy, including all schedules, of the most recent Federal income tax return for principals, general partners or managing member, and affiliates of the Applicant (see filing requirements for more information).
- If the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year.
- A current year-to-date profit-and-loss statement
- Additional filing requirements (SBA Form 1368) providing monthly sales figures. (This is especially important for Economic Injury Disaster Loans).

Michael Scotti III

Shareholder, Practice Group Manager,
Business Litigation
312.580.1605 | msscotti@ralaw.com

Christopher P. Reuscher

Shareholder, Practice Group Manager,
Corporate, Tax and Transactional
216.615.4855 | msarlson@ralaw.com

David J. Hochman

Shareholder-in-Charge of Chicago
312.582.1686 | dhochman@ralaw.com

Ericka Adler, Manager

312.582.1602 | eadler@ralaw.com

Lesley Arca

312.582.1621 | larca@ralaw.com

Brian Bedinghaus

312.580.1269
| bbedinghaus@ralaw.com

Michael Brohman

312.582.1682 | mbrohman@ralaw.com

Andrew Clott

312.582.1674 | aclott@ralaw.com

Avery Delott

312.582.1636 | adelott@ralaw.com

James Drake

312.582.1624 | jdrake@ralaw.com

Ed Filer

312.582.1627 | efiler@ralaw.com

Adam Hirsch

312.582.1677 | ahirsch@ralaw.com

James Inendino

312.582.1689 | jinendino@ralaw.com

Marc Kallish

312.582.1604 | mckallish@ralaw.com

Christina Kuta

312.582.1680 | ckuta@ralaw.com

Lee Levin

312.580.1248 | llevin@ralaw.com

Julie Mohan

312.582.1609 | jmohan@ralaw.com

Daniel Rosenbaum

312.582.1672 |
drosenbaum@ralaw.com

Ben Roth

312.582.1676 | broth@ralaw.com

Michael Scotti III

312.582.1605 | msscotti@ralaw.com

James Shaw

312.582.1258 | jshaw@ralaw.com

Judith Sherwin

312.582.1268 | jsherwin@ralaw.com

Robert Taylor312.582.1673 | rtaylor@ralaw.com**John Waters**312.582.1685 | jwaters@ralaw.com**Gary Wills**312.582.1687 | gwills@ralaw.com**Mark L. Sarlson**216.615.4855 | msarlson@ralaw.com