

President Trump and Congress Move to Make Small Business Loans Available in Wake of COVID-19

March 18, 2020

Key Points

- On March 11, President Donald Trump directed the Small Business Administration (SBA) to offer Economic Injury Disaster Loans (EIDLs) to small businesses and private non-profits impacted by COVID-19. The low-interest loans are designed to provide economic support by aiding small businesses in overcoming temporary losses of revenue due to the virus.
- Eligibility for the program is contingent upon requests for an EIDL declaration from state and territory governors. SBA has **loosened its criteria** for issuing state declarations that are required for states to unlock program loans. Several state governments have begun soliciting information from small businesses to support their declaration requests.
- On March 6, President Trump signed into law legislation (H.R. 6074), which grants SBA the authority to issue EIDLs to small businesses impacted by the virus. It also allows SBA to provide an expected \$7 billion in EIDLs. The Trump Administration and Congress have suggested expanding assistance for small businesses in a third supplemental appropriations bill expected later this week.

Administration Action

During a March 11 national address, President Trump **directed** the SBA to use its existing authorities to provide capital and liquidity to businesses impacted by COVID-19. Effective immediately, the agency will provide low-interest EIDLs to small businesses in affected states and territories to overcome “temporary economic disruption” resulting from the pandemic.

SBA released a **press release** on March 12 detailing that it will work directly with state governors to facilitate the disbursement of the loans, which provide up to \$2 million in working capital assistance for qualified small businesses or private non-profit organizations. SBA will issue an EIDL declaration upon request from a state or territory’s governor. Several states, including California, Connecticut, Maine, and Washington have **obtained eligibility**.

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On March 17, the agency **updated** its criteria for states requesting Disaster Assistance Loans for small businesses impacted by COVID-19. Effective immediately, states and territories will only be required to certify that five or more small businesses have experienced substantial economic injury regardless of where those businesses are located within their borders. Following a state's economic injury declaration related to COVID-19, disaster assistance loans will be available statewide. Previously, states had to certify at least one business in each declared county or parish had suffered injury, and only small businesses within those counties were eligible for loans.

EIDLs may be used to pay fixed debts, payroll, accounts payable, and other bills that cannot be paid due to COVID-19. Only small businesses that cannot obtain credit elsewhere are eligible for a loan. For-profit companies will pay an interest rate of 3.75% while private non-profits will pay a 2.75% interest rate. The application process for affected communities will be determined once the state government designates the respective area as eligible.

Congressional Action

On March 6, President Trump signed into law the first of three anticipated COVID-19 supplemental appropriations bills. The Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020 (**H.R. 6074**) provides SBA with the authority to issue EIDLs for areas impacted by COVID-19. It also allows SBA to offer an estimated \$7 billion in EIDLs to qualified enterprises impacted by the virus.

In his March 11 address, President Trump called on Congress to increase funding for the loan program by \$50 billion. The Administration has since **expanded its request** to a total of \$250 billion in aid for small businesses. While the second supplemental bill (**H.R. 6201**), which passed the House on March 14 and is currently pending in the Senate, does not address the EIDL program, Senate Majority Leader Mitch McConnell (R-KY) has **suggested** that a third supplemental bill, which is anticipated later this week, may contain small business loan funding. Senate Minority Leader Chuck Schumer (D-NY) has additionally **suggested** including provisions to create a new SBA program to provide small businesses with direct grants to cover the costs of lost business, providing paid sick leave, and other expenses.

Conclusion

President Trump's March 11 announcement offers immediate assistance to qualified small business enterprises impacted by COVID-19. Several state governments have begun soliciting information from small businesses to inform state requests for an EIDL declaration. While the passage of H.R. 6074 already unlocks an expected \$7 billion in loans for small businesses, Congress and the Trump Administration are in agreement to expand small business assistance again, whether through an increase in EIDL funding or through the creation of a new SBA grant program. These developments signal that the federal government is highly sensitive to small business concerns in the wake of COVID-19, and that opportunities exist for impacted small businesses to apply for and advocate for federal economic support.

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