

**Corporate and Business Alert**  
**March 26, 2020**

**Small Business Administration Assistance will be provided to Massachusetts  
Businesses and Non-Profits Impacted by COVID-19**

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The Commonwealth of Massachusetts has moved swiftly to enact measures aimed at assisting those small businesses that have been directly affected by the COVID-19 global pandemic with close cooperation with the federal government and the Small Business Administration.

On March 18, 2020 Governor Baker announced that the U.S. Small Business Administration (SBA) will begin offering low-interest loans for affected Massachusetts businesses that are currently suffering substantial economic injury from the impact of the global COVID-19 pandemic. Governor Baker had made the request for federal disaster loans to the SBA on March 17, 2020. Disaster loans are the primary form of Federal assistance for private sector disaster-related losses. Small businesses located in all Massachusetts counties and contiguous counties in neighboring states may be eligible for assistance.

These disaster loans are not to be confused with the Massachusetts Growth Capital Cooperation which **is no longer** accepting applications for short-term loans through the Small Business Recovery Loan Fund, a \$10 million dollar fund that was announced by the Baker Administration on March 16, 2020. Any small business that is suffering economically due to the pandemic is encouraged to seek aid through federal Economic Injury Disaster Loans.

Eligible entities include small businesses, private not-for-profit organizations, small agricultural cooperatives and small aquaculture enterprises that have been impacted by the pandemic since January 31, 2020.

Economic Injury Disaster Loans to help small businesses meet financial obligations and operating expenses of up to \$2 million are being offered by the SBA. Eligibility is based upon impact from the pandemic to be determined on a case-by-case basis. Small businesses are eligible for fixed-rate loans at 3.75% while not-for-profit entities are eligible for fixed-rate loans at 2.75%. The SBA is offering these loans with long-term repayment schedules in an effort to keep payments affordable while small businesses focus on recovery, with amortization available over a maximum of thirty (30) years. Priority will be on those small businesses and entities that are without the financial ability to weather the impact of the global COVID-19 pandemic without hardship.

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The SBA still maintains credit requirements in order for entities to be eligible. For example, all applicants must have a credit history acceptable to repay the loan, and must demonstrate the ability to repay. All loans over \$25,000 require collateral, including, but not limited to, liens on real estate when available. The SBA will not decline a loan under \$25,000 for lack of collateral, but will require collateral when available. Lack of compliance with any prior SBA loan will render any potential applicant ineligible for Economic Injury Disaster Loan funds. Importantly, SBA Economic Injury Disaster Loan funds cannot be used to refinance any other existing long-term debt.

In some instances, the SBA may require additional insurance, such as flood insurance if the subject collateral is located in a federally-designated flood zone.

The Small Business Administration is already reporting high volumes of traffic through its online Economic Injury application portal. Affected small business can submit an application for loan funds by utilizing the following link: <https://disasterloan.sba.gov/ela>. **The deadline for all applications is December 18, 2020.**

*This Client Alert was prepared by Peter T. McNulty. This Alert was reviewed by with Nan O'Neill, Arthur Murphy, and Katherine Hesse. If you have any questions about this issue, please contact Peter McNulty or the attorney responsible for your account, or call (617) 479-5000.*

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