

EIDL Funds: How You Can & Cannot Use



SBA's West Virginia District Office

Start Time: 12 pm EST

Please mute your line and turn off camera.

Information provided is not intended to be legal or accounting advice.

This is an education overview of the information as we understand it today.

If there is any inconsistency between this presentation and any other official guidance, the official information governs.

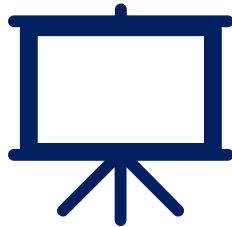
Virtual Housekeeping Items



Can't see slides?
MS Edge



Questions?
Q & A



Want PDF?
wvinfo@sba.gov



Other Questions?
wvinfo@sba.gov
[SBA District Offices](#)

Today

- ❑ New Deferment Extension!
- ❑ Ineligible Uses
- ❑ Eligible Uses
- ❑ Collateral
- ❑ Recordkeeping Requirements
- ❑ Changes of Ownership
- ❑ Default



Sources of Information

1. [SOP 50 52 2 Disaster Loan Servicing and Liquidation \(sba.gov\)](#)
 - Instructions for SBA Loan Officers
2. Loan Authorization and Agreement (LA&A)
 - Note Modifications
 - Amended Security Agreement
 - Guarantee Information
3. [SOP 50 30 9 Disaster Assistance Program](#) pg. 75-76
4. Disaster Customer Service Guide

This is the information as we understand it today.

In the event of any inconsistency between this presentation and any other official guidance released, the official guidance governs.

The Experts

BIRMINGHAM

Disaster Loan Servicing Center

2 North 20th Street Suite 320
Birmingham, AL 35203

Phone: 800-736-6048

Fax: 205-290-7765

birminghamdlsc@sba.gov

Hours of Operation:

8:00 a.m. to 4:30 p.m. (CST)

Monday through Friday

EL PASO

Disaster Loan Servicing Center

1545 Hawkins Blvd, Suite 202
El Paso, TX 79925-2652

Phone: 800-487-6019

Fax: 915-633-7110

elpasodlsc@sba.gov

Hours of Operation:

8:00 a.m. to 4:30 p.m. (MST)

Monday through Friday

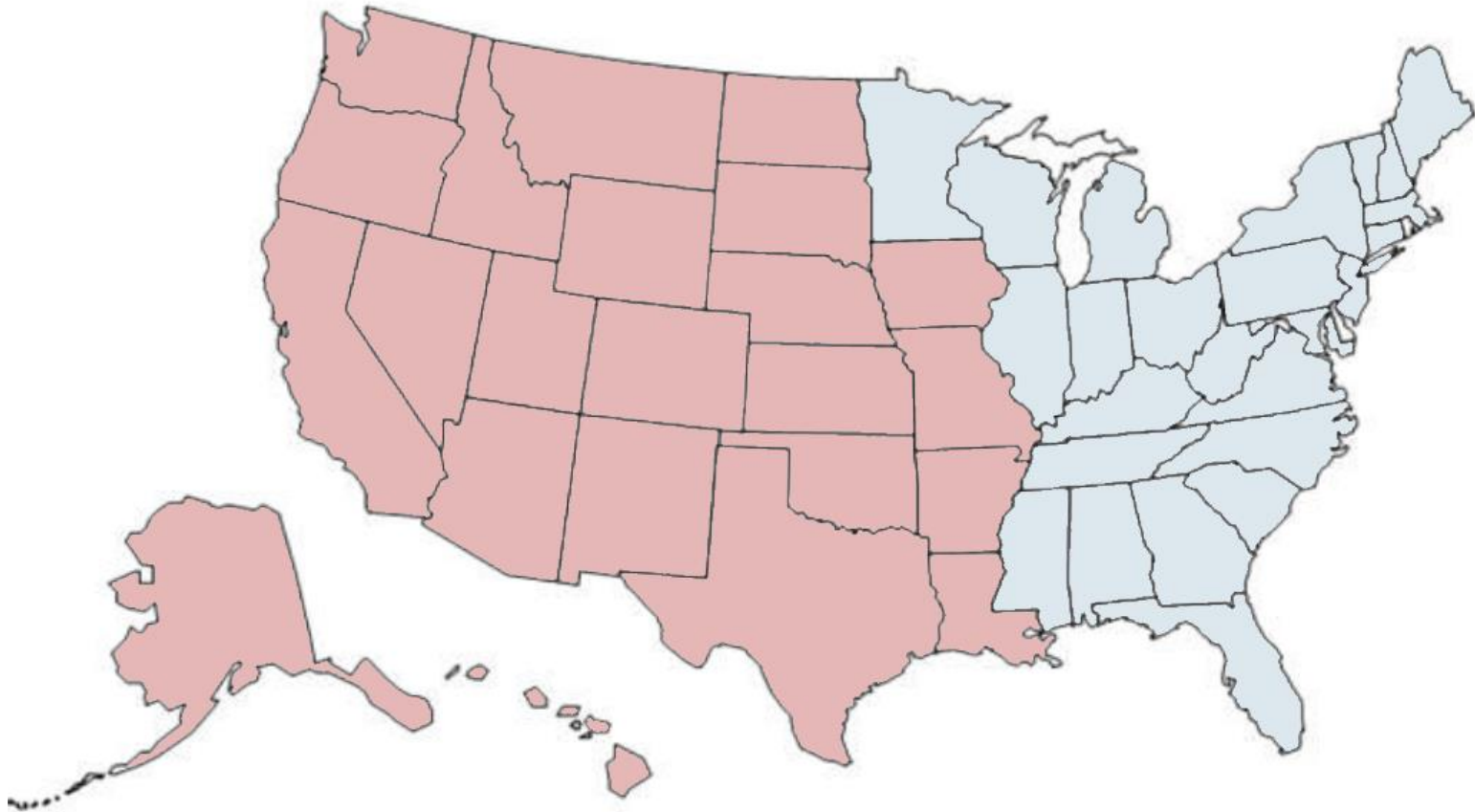
Servicing Centers Map

EL PASO

elpasodlsc@sba.gov

BIRMINGHAM

birminghamdlsc@sba.gov



SNAPSHOT: Cannot Be Used For...

No Expanding or Starting New Business

No Dividends/Bonuses

No Disbursements to Owners

Repayment of Owner Loans

Expansion or New Fixed Assets

Repair/Replacement Physical Damages

Relocation*

Penalties for Noncompliance

Contractor Malfeasance

COVID-19 EIDL Cannot Be Used For...

1. No starting a new business
2. No dividends or bonuses
3. No payment to owners, etc. *except* for performance of services
4. No repayment of loans from stockholders/principals
 - *Possible* Exception: temporary funds injected because of disaster AND non-repayment would cause undue hardship

[SOP 50 30 9 Disaster Assistance Program](#) pg. 75-76



COVID-19 EIDL Cannot Be Used For...

4. No expansion of facilities
5. No acquisition of fixed assets* (equipment okay)
6. No repair or replacement of physical damages
7. No relocation expenses (except under some conditions)
8. No payment of penalties for noncompliance resulting from noncompliance with a law, regulation or order of a Federal, state, regional, or local agency.
9. Contractor malfeasance



COVID-19 EIDL Eligible Uses

Normal Operating Expenses

Fixed debts installment loans

Payroll

Accounts payable utilities, etc.

Commercial Loans-- Deferred Interest & Prepayments

Federal Loans-- Direct or Guaranteed, NO Prepayments

Fixed debt is a permanent debt, or a debt continuing for an extended period.

COLLATERAL

UCC-1 Blanket Lien

\$0 - \$25,000–

- No collateral

\$25,001 – \$500,000--

- UCC-1 lien

\$500,001 - \$2,000,000--

- UCC-1 lien
- Mortgage on business real estate
- Borrower records real estate lien & pays fees



Loan Authorization & Agreement, p. 2

Handling Collateral

- Tangible & intangible personal property
- Sell/transfer collateral requires **prior written consent**
 - Not include normal inventory turnover
 - Not apply to existing Lines of Credit

Loan Authorization & Agreement, p. 2



Maintain Hazard Insurance

- Due 12 mo. after loan
- Policy includes
 - Fire
 - Lightning
 - Extended coverage
 - 80% of value

SBA not collecting proof on loans \$500K or less.

Loan Authorization & Agreement, p. 4



Distributing Assets to Owners/Affiliates

- Need prior written consent
- Cannot distribute any assets/preferential treatment
- To owners, partners, employees, or affiliated companies



Loan Authorization & Agreement, p. 5

Release of Collateral

- Need to Trade-in or Sell Equipment?
 - [Release of Collateral Requirement Letter \(sba.gov\)](https://www.sba.gov)
- Pay EIDL below \$25k?
 - [Release of Collateral Requirement Letter \(sba.gov\)](https://www.sba.gov)
 - Request payment reduction separately
- Release of Guarantor?
 - [Release of Guarantor](#)
 - [Substitution of Guarantor](#)
- **IMPORTANT** If EIDL is paid off--
 - **You** file UCC-3 with your Secretary of State's office

EIDL Lien Subordination

- [COVID-19 EIDL subordination submission process \(sba.gov\)](https://www.sba.gov)
- May require paydown
- Subordination on SBA 7(a) and 504 loans will not require monetary consideration for approval
- SBA may require additional information
 - e.g., documentation of post-funding changes in ownership

Disaster Servicing SOP p. 46

RECORDKEEPING

Recordkeeping Requirements

- Keep itemized receipts and contracts
- If requested, must submit itemized receipts to SBA
- If feasible purchase only American-made equipment and products
- “Proper books of account”
 - Most recent 5 years until 3 years after the date of maturity or paid in full date

Loan Authorization & Agreement, pp. 3-4



**What is an itemized receipt? Business Name • Date • Item(s) Purchased
Price of Item(s) • Total Amount • Method of Payment**

Recordkeeping Requirements (cont.)

- Documents due on demand
 - Financial and operating statements
 - Insurance policies
 - Tax returns and related filings
 - Records of earnings distributed & dividends paid
 - Records of compensation to officers, directors, holders of 10% or more of Borrower's capital stock, members, partners and proprietors
- Appraisals & inspections of all assets.



Loan Authorization & Agreement, pp. 3-4

What if audit is required? The business will pay all audit expenses.

Follow-Up Financial Information Required

Loan Authorization & Agreement

- **Upon Request Only** “Borrower will furnish to SBA, not later than 3 months following the expiration of Borrower's fiscal year and in such form as SBA may require, Borrower's financial statements.”
 - Current information:
- “Upon written request of SBA, Borrower will accompany such statements with an 'Accountant's Review Report' prepared by an independent public accountant at Borrower's expense.”

Loan Authorization and Agreement, p. 4

CHANGES TO BUSINESS OWNERSHIP

Business Closes

- Alert SBA via Disaster Customer Service
 - DisasterCustomerService@sba.gov
- [National Disaster Loan Resolution Center](#)
 - NDLRC.Servicing@sba.gov
 - 1-855-778-3154
 - Use loan number

Remember...

- EIDL Loan is a federal obligation
- Must be repaid
- Responsibility of all borrowers and guarantors



Sale of Business

Sale without SBA's consent is a technical default

- National Disaster Loan Resolution Center (Santa Ana)
- NDLRC.Servicing@sba.gov or 1-855-778-3154

SBA Approval not needed if Borrower pays off EIDL loan

- Go to SBA for payoff statement and payment instructions
- SBA's lien released upon payment in full
- You are responsible for filing

Other Changes

Permission for New Owner to Assume Loan

- Rare; see SOP p. 68
- [Loan Assumption Requirements Disaster Information \(sba.gov\)](#)
- Severe financial hardship [SOP](#) p. 40

Merger

- If the borrowing entity remains unchanged, no action needed.
- If a merger will result in a new borrowing entity, an Assumption will be required.

Partner Buy-Out

- Generally, co-obligors are not released from the loan except under limited circumstances. [SOP 50 52 2.pdf](#) p. 60

Other Changes

Legal Structure

- New entity formally assumes loan

Name Change

- SBA will file UCC-3 to reflect name change and preserve position

Death

- Alert your Servicing Center
 - Decedent's information, death certificate, point of contact
- SBA will file claim against Estate
- Life insurance can be claimed as Collateral

Divorce

- Divorce decree does not remove you from obligation

SOP Disaster Servicing & Liquidation, p. 24

Other Changes

Obliger = is every Person with direct liability for repaying.

Severe Financial Hardship

- Usually, deferment or 1 yr. modification (SOP p. 78)
- VERY Limited and not easy for temporary
- Individual
- No Fraud
- Provided Hardship Letter
- Fully Disclosed
- Not able to pay basic living expenses [SBA Form 770](#)

Disaster Servicing SOP, p. 40

Pay Off

- Will receive **SBA Form 397** from SBA's Denver Finance Center

Other Requirements

Lobbying Activities

For loans over \$150,000--

1. EIDL funds NOT used
2. Non-federal funds lobbying must be reported

- [Disclosure of Lobbying Activities \(sba.gov\)](https://www.sba.gov/disclosure-of-lobbying-activities)

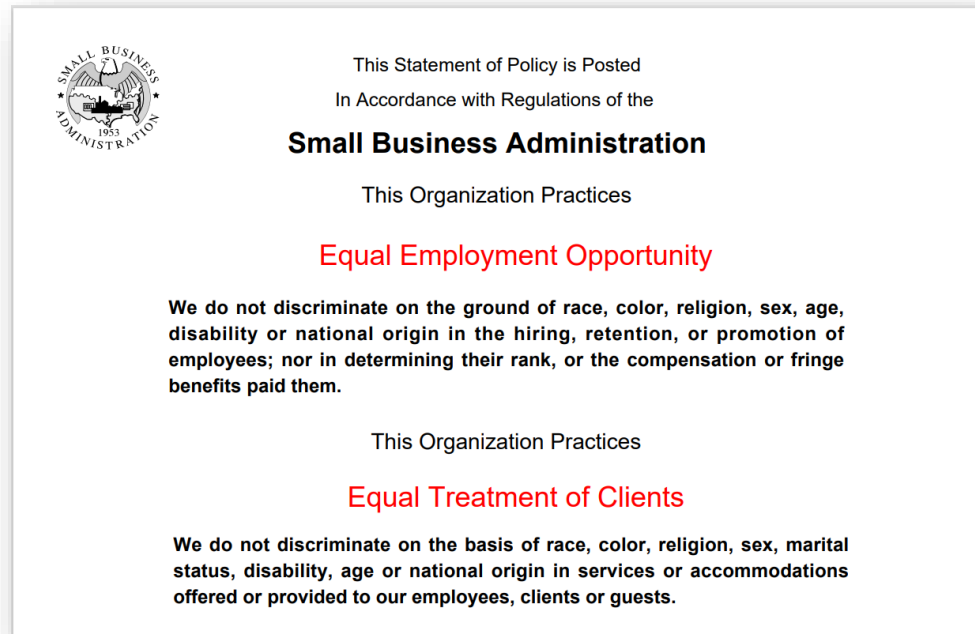
DISCLOSURE OF LOBBYING ACTIVITIES			Approved by OMB 0348-0046
Complete this form to disclose lobbying activities pursuant to 31 U.S.C.1352			
1. * Type of Federal Action: <input type="checkbox"/> a. contract <input checked="" type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance	2. * Status of Federal Action: <input type="checkbox"/> a. bid/offer/application <input checked="" type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award	3. * Report Type: <input checked="" type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change	
4. Name and Address of Reporting Entity: <input checked="" type="checkbox"/> Prime <input type="checkbox"/> SubAwardee * Name: [Redacted] * Street 1: [Redacted] Street 2: [Redacted] * City: [Redacted] State: [Redacted] Zip: [Redacted] Congressional District, if known: [Redacted]			
5. If Reporting Entity in No.4 is Subawardee, Enter Name and Address of Prime:			
6. * Federal Department/Agency: [Redacted]		7. * Federal Program Name/Description: [Redacted] CFDA Number, if applicable: [Redacted]	

Loan Authorization & Agreement, pp. 4-6, 8-9

EO Poster Requirement

If you have Employees---

- Must post [SBA Form 722, Equal Opportunity Poster](#)
- Clearly visible to
 - Employees
 - Applicants
 - Public
- English & Spanish



Loan Authorization & Agreement, p. 5, 10-11

DEFAULT

Default

- Default --
 - Violate any terms or conditions
 - Fails to pay any taxes
 - Bankruptcy
 - Change of ownership
 - Death
 - Change in financial condition that affects ability to pay
- SBA may--
 - Require immediate repayment
 - Take possession of Collateral
 - Dispose of Collateral
 - Joint and severable liability

Loan Authorization and Agreement Note, p. 2

Penalties

Misuse of Funds Civil liability

- 1.5 times funds disbursed
- “Any other remedies allowed by law”

False Statements or Misrepresentations?

- Fines and/or imprisonment
- Treble damages & civil penalties (False Claims Act)
- Double damages & civil penalties (Program Fraud Civil Remedies Act)
- Suspension/debarment from federal transactions



Loan Authorization & Agreement, p. 6

Loan Irregularities & OIG Reporting

1. Loan Application Fraud False statements

- E.g., Overstating income, not disclosing liabilities, overstating asset value

2. Loan Closing Fraud

- E.g., False evidence of insurance, false invoices/receipts, false lien waivers

3. Loan Agent Fraud

4. Misuse of Loan Proceeds

5. Conversion of Collateral Conversion

- Concealment, vandalism or unauthorized disposal of collateral

Managing Your EIDL

[Manage your EIDL \(sba.gov\)](https://sba.gov)

Loan Authorization & Agreement

Need a copy? DisasterCustomerService@sba.gov

AMENDED LOAN AUTHORIZATION AND AGREEMENT (LA&A)

***A PROPERLY SIGNED DOCUMENT IS
REQUIRED PRIOR TO ANY
DISBURSEMENT***

CAREFULLY READ THE LA&A:

This document describes the terms and conditions of your loan. It is your responsibility to comply with ALL the terms and conditions of your loan.

SIGNING THE LA&A:

All borrowers must sign the LA&A.

- Sign your name *exactly* as it appears on the LA&A. If typed incorrectly, you should sign with the correct spelling.
- If your middle initial appears on the signature line, sign with your middle initial.
- If a suffix appears on the signature line, such as Sr. or Jr., sign with your suffix.
- Corporate Signatories: Authorized representatives should sign the signature page.

*Your signature represents your agreement to comply
with the terms and conditions of the loan.*

Staying Up-to-Date

Borrower CAFS Account Enrollment & Access portal

- Sign up using your SSN

Capital Access Financial System - SBA

<https://caweb.sba.gov> ▼

You are accessing a U S Government information **system**, which includes. This computer, This computer network, All computers connected to this network, and. All devices and storage media...

Statements-- Receive month prior to due date

Final payoff-- Contact your Loan Servicing Center

Problems-- cls@sba.gov

[Monitor Your EIDL Loan](#)

The Experts

BIRMINGHAM **Disaster Loan Servicing Center**

birminghamdlsc@sba.gov

Phone: 800-736-6048

Fax: 205-290-7765

8:00 a.m. to 4:30 p.m. (CST) Monday-Friday

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Phone: 800-487-6019

Fax: 915-633-7110

8:00 a.m. to 4:30 p.m. (MST) Monday-Friday

SANTA ANA **National Disaster Loan Resolution Center**

NDLRC.uccfilings@sba.gov

Phone: 714-550-9566

DisasterCustomerService@sba.gov or **716-247-4483**

[Disaster Servicing Documentation Look Up](#)



Birmingham Email Addresses

BirminghamDLSC@sba.gov

Main Birmingham Center Email

BirminghamTOPS@sba.gov

For Charge-Off accounts or Workout Agreement Inquiries and Actions

BIR1_INS@sba.gov

For Insurance Inquiries and Actions

Bham.Servicing@sba.gov

For Servicing Inquiries and Actions

Bham.Realty@sba.gov

For Collateral Modification (Realty/UCC) Inquiries and Actions

504Servicing@sba.gov

For 504 Loan Inquiries and Actions

Bham.pif@sba.gov

For Paid in Full Disaster Loan Inquiries

BDLSCuccfilings@sba.gov

For EIDL Paid in Full (UCC) Release Inquiries

PAY.gov

The secure way to pay U.S. Federal Government Agencies

Department of Veterans Affairs

Make a VA Medical Care Copayment

Did you receive a medical bill from the U.S. Department of Veterans Affairs?

[Pay it right here](#) ▶

Small Business Administration

Make a SBA 1201 Borrower Payment

Did you receive a payment notice (Form 1201) from the Small Business Administration?

[Pay it right here](#) ▶

U.S. Coast Guard

Merchant Mariner User Fee

Do you have to pay your U.S. Coast Merchant Mariner License and Station fees?

[Pay it here](#) ▶

Accepted Payment Methods:

- Bank account (ACH)
- PayPal account
- Debit card

[Instructions: Payment to SBA](#)

[SBA 1201 \(pay.gov\)](#)

SBA Resource Partners



www.sba.gov/local-assistance

Coming Soon!

[Q&A with SBA](#)

Every Thursday at 12:00pm EST

[Getting The Biggest Bang For Your Buck!](#)

Tuesday, June 28, 2022 - 12:00pm EDT

[Post-COVID Business Funding](#)

Tuesday, July 12, 2022 - 12:00pm EDT

[Are You Ready to Take the Leap?](#)

Tuesday, June 21, 2022 - 6:00pm EDT

[National SBA Training](#)

[Ascent](#) learning platform

[SBA Learning Center](#) self-paced



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