



Managing Your Economic Injury Disaster Loan (EIDL)



Managing Your Economic Injury Disaster Loan (EIDL) Agenda

1. EIDL Program Overview
2. What the EIDL funds can be used for
3. What the EIDL funds cannot be used for
4. Best practices for managing the EIDL funds

EIDL Program Overview

- Working Capital Loans
 - 3.75% Interest Rate
 - 30 Year Term
 - No Collateral <\$200,000
 - No Personal Guarantee <\$200,000
 - 1 year of payment deferments
- Applications processed directly from the U.S. Small Business Administration
 - Funds are distributed directly from the U.S. Treasury

EIDL Borrower Responsibilities

- EIDL Funds can only be used for expenses incurred after the disaster declaration – March 19, 2020
- Borrower is required to obtain and itemize receipts and contracts for all expenses paid for from EIDL Funds.
 - Paid Receipts, Invoices, or Cancelled Checks
 - Record retention for 3 years following final disbursement.
 - Records can be request itemization and documentation at any time during the record retention period.
- Borrower will, to the full extent feasible, purchase only American-made equipment and products with the proceeds of this loan.

EIDL Borrower Responsibilities

- Within 12 months from the date of this Loan Authorization and Agreement the Borrower will provide proof of an active and in effect hazard insurance policy including fire, lightning, and extended coverage on all items used to secure this loan to at least 80% of the insurable value.
- Borrower will maintain current and proper books of account in a manner satisfactory to SBA for the most recent 5 years until 3 years after the date of maturity, including extensions, or the date this Loan is paid in full, whichever occurs first. Such books will include:
 - *Borrower's financial and operating statements, insurance policies, tax returns and related filings, records of earnings distributed and dividends paid and records of compensation to officers, directors, holders of 10% or more of Borrower's capital stock, members, partners and proprietors.*

EIDL Borrower Responsibilities

- If Borrower has or intends to have employees, Borrower will post SBA Form 722, Equal Opportunity Poster, in Borrower's place of business where it will be clearly visible to employees, applicants for employment, and the general public.
- If Borrower violates any of the terms or conditions of this Loan Authorization and Agreement, the Loan will be in default and SBA may declare all or any part of the indebtedness immediately due and payable. SBA's failure to exercise its rights under this paragraph will not constitute a waiver.
- Borrower agrees not to use directly or indirectly any portion of the loan proceeds to relocate without the prior written permission of the SBA.

EIDL Use of Funds

- Working Capital
 - Inventory Replenishment
 - Marketing
 - PPE
 - Social Distancing Refitting
 - Office Expenses
 - Payroll (not during PPP)
-
- Regular Maintenance & Repairs
 - Equipment Replacement
 - Utilities
 - Rent
 - Supplies
 - IT Expenses
 - Fixed Debt Payments

EIDL Prohibited Uses

- Owner Disbursements
- Refinance of other business debts (excluding other bridge disaster loans)
- Personal Expenses
- Personal Losses
- Expenses Incurred Prior to the Disaster Declaration
- Business Expansion
- New Equipment Purchases

EIDL Best Practices

Best Practice # 1

Open a separate bank account to manage the EIDL funds.

Having a separate bank account for the EIDL funds will create a paper trail of the expenses paid from those funds and make a potential audit easier to manage.

Best Practice # 2

Create a separate file with copies of all invoices, receipts, and contracts paid for with EIDL funds.

The EIDL program requires that you maintain these records for 3 years. Having them in a separate file will make a potential audit easier to manage.

EIDL Best Practices

Best Practice # 3

Create a budget for the EIDL funds.

Having a budget for how you will spend the EIDL funds will help you to identify any potential cash flow gaps as your business is still closed and/or in the process of re-opening and recovering.

Best Practice # 4

If possible, avoid using the EIDL funds for expenses from March 19th until loan was disbursed.

Creating the paper trail for expenses incurred prior to the receipt of the loan funds is more difficult.

EIDL Frequently Asked Questions

Q. Can I use the EIDL funds to pay down my credit line?

Answer: No, paying down the credit line would be considered the refinancing of existing business debts.

Q. Should I hold onto the EIDL funds as a cash reserve?

Answer: No, you should use the funds to pay the operating expenses of the business. If you are concerned about maintaining a cash reserves for the business, you can utilize the business funds not spent on the business operating expenses for those reserves.

Q. Can I use the EIDL funds to purchase inventory.

Answer: Yes and No, you can use the EIDL funds to replenish inventory but not to increase inventory volume purchases, purchase inventory for new product lines and/or inventory expansions.

EIDL Frequently Asked Questions

Q. When will I have to start repaying the EIDL?

Answer: Payments are deferred for 1 year from the loan disbursement date.

Q. Will interest accrue while the payments are deferred?

Answer: Yes, interest will accrue while the loan payments are deferred.

Q. I have not received my loan and I applied back in March, who can I contact.

Answer: Only the SBA Disaster Assistance Team has access to the EIDL applications. You can contact them at 800.659.2955 (ask for a Tier 2 Supervisor) or disastercustomerservice@sba.gov.



Questions?

For assistance:

Existing clients:

Please e-mail and/or call your advisor to schedule an appointment. Emily Loughlin, Jen Kilcoyne, Matt Hosek, Tom Reynolds, Walter Burke.

New Clients:

Go to www.nysbdc.org, click on Make an Appointment, and submit the form to have an advisor assigned to assist you.

