

# HOW EIDL FUNDS CAN BE USED



In general, EIDL funds can't be for anything that would be considered improvements or expansion. The loans are not intended to replace lost sales or profits.

## ELIGIBLE USES:

SBA EIDL funds may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.

In some cases there may be a specific dollar amount assigned for a specific expense and that will be outlined in a Use of Proceeds in their loan agreement.



# INELIGIBLE USES OF LOAN PROCEEDS

No office or business growth  
No leasehold improvements  
No furniture or fixtures  
Not for physical expansion or a remodel

## **POLICY: EIDL PROCEEDS MAY NOT BE USED FOR:**

1. Payment of any dividends or bonuses;
2. Disbursements to owners, partners, officers, directors, or stockholders, except when directly related to performance of services for the benefit of the applicant;
3. Repayment of stockholder/principal loans, except when the funds were injected on an interim basis as a result of the disaster and non-repayment would cause undue hardship to the stockholder/principal;
4. Expansion of facilities or acquisition of fixed assets;
5. Repair or replacement of physical damages;
6. Refinancing long term debt;
7. Paying down (including regular installment payments) or paying off loans provided, or owned by another Federal agency (including SBA) or a Small Business Investment Company licensed under the Small Business Investment Act. Federal Deposit Insurance Corporation (FDIC) is not considered a Federal agency for this purpose;
8. Payment of any part of a direct Federal debt, (including SBA loans) except IRS obligations. a. If a direct Federal debt is delinquent, your recommendation must be based on independent documentation from the appropriate Federal agency explaining how the delinquency will be cured. 50 30 9 76 Effective Date: May 31, 2018 b. If a direct Federal debt is delinquent because of the disaster, we should make arrangements with that Federal creditor to have payments deferred or a similar action taken to bring the delinquency current prior to approval of an EIDL. If the Federal creditor cannot or will not cooperate, the likely result will be a decline of the EIDL request. However, if the applicant has other resources or recoveries, we should generally allow (and perhaps require) those resources to be applied first to ineligible needs, such as the payment of direct Federal debt. c. When processing during the injury period, it is generally appropriate for you to negotiate with Federal creditors to defer payments (or take similar action) until the end of the injury period. You must document why this was or was not imposed.
9. Pay any penalty resulting from noncompliance with a law, regulation or order of a Federal, state, regional, or local agency.
10. Contractor malfeasance; and
11. Relocation.