



### Newly Expanded SBA Economic Injury Disaster Loans Program Offers Increased Support to Struggling Businesses

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Effective September 8, 2021, the U.S. Small Business Administration (SBA) implemented sweeping changes to the Covid-19 Economic Injury Disaster Loans (EIDL) Program that are aimed at helping small businesses access over \$150 billion in available loan funding. Key changes include:

- **EIDL cap increased from \$500K to \$2 million!** While small businesses may now apply for a much higher loan amount, it is important to note that there is an “Exclusivity Period” during which approval is not permitted for loans exceeding \$500K until October 8, 2021. This Exclusivity Period evidences the SBA’s effort to prioritize smaller loans.
- **Increased flexibility for use of funds.** Now, besides using funds for any normal operating expense and working capital (including, payroll, equipment purchases and paying debt), the SBA expanded eligible uses to include: (1) payment and prepayment of commercial debt, and (2) regularly scheduled payment of federal business debt.
- **SBA automatic 2-year deferral for repayment.** Rather than 18 months, small business owners automatically have 2 years from the origination date to begin making EIDL repayments. Note that the SBA stated that existing EIDLs with shorter deferment periods will be adjusted.
- **Simplified affiliation requirements for all industries.** The SBA clarified that an affiliate is a business that one controls or is a business in which one has 50% or more ownership.
- **Expanded EIDL eligibility for certain businesses uniquely impacted by COVID-19.** The SBA created a new way for businesses to meet “program size standards.” Generally speaking, the hardest hit industries are EIDL eligible so long as they have: (1) fewer than 500 employees per physical location, (2) fewer than 20 locations (inclusive of affiliates), and (3) satisfy all other EIDL requirements.

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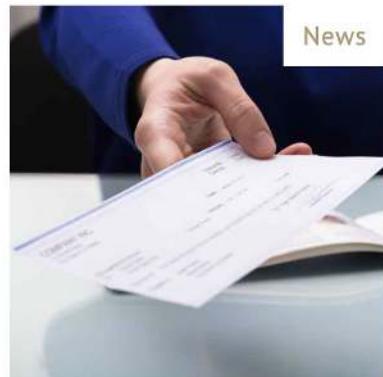




- **Introduced maximum cap on corporate groups.** The SBA added a \$10 million cap on the maximum aggregate EIDLs to a single corporate group (i.e., those entities which are majority-owned, directly or indirectly, by a common parent).
- **Increased Minimum Credit Score.** The SBA increased the minimum credit score requirement to 625 (from 570).

Continued economic instability stemming from the COVID-19 pandemic and the exhaustion of several COVID-19 relief funds make EIDL expansion more important than ever. Undoubtedly, the SBA's expansion of the program, outlined above, opens the door to support more businesses than were eligible before under the earlier EIDL framework.

If you are considering applying now before the available funds run out or the December 31, 2021 deadline passes, we urge you to consult an experienced professional who can help you review your eligibility, collateral/guarantee risk, repayment terms, existing debt, and any and all other important factors involved.



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