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expanding the cap for loans, further emphasizing that now is the time for businesses to take advantage of SBA's EIDL and other financial lending programs.

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To help support the countless businesses struggling with financial and economic stress during the wake of the pandemic, organizations like the U.S. Small Business Administration (SBA) created a variety of relief funding programs aimed at providing economic impact relief from COVID-19, including the Economic Injury Disaster Loan (EIDL).

The EIDL was first established in 2020 to provide aid to small businesses and non-profits that faced economic disruption due to the COVID-19 pandemic. This federal

disaster relief loan was designed to better serve and support small business

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## **How Does this Impact Small Businesses?**

With this latest update to the EIDL program, the cap for loans has increased from \$500,000 to \$2 million, and low-interest loans can now be paid back over 30 years. Funds from this program may be used for any operating expenses, including purchasing equipment and making payments on debt. Additionally, the SBA made changes making it easier for small business communities to access the more than \$150 billion in funding for available loans.

The following key changes were announced to the EIDL that businesses and business owners should keep in mind:

### **Increased COVID EIDL Cap**

The biggest and most significant change to the former EIDL program that small businesses will greatly benefit from is the cap, which has been lifted from \$500,000 to \$2 million. Businesses can apply for this loan and put proceeds towards working capital to make regular payments for operating expenses. This includes payroll, rent/mortgage, utilities and other ordinary business expenses, and to pay business debt incurred at any time past, present, or future.

### **Deferred Payment Period**

As an additional benefit towards businesses, the SBA will ensure that small business owners do not begin repayments on EIDL until two years after loan origination. This allows businesses to keep operating as normal and get through the pandemic without having to worry about making ends meet. Payments are deferred for the first two years, during which interest will accrue, and payments of principal and interest are made over the remaining 28 years with no penalty on businesses for prepayments. This larger window of repayment time not only brings peace of mind

to business owners but encourages more businesses to apply for loans who

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### **Expanded Eligible Use of Funds**

In addition to an increased cap, the EIDL has expanded what qualifies as eligible expenses. This now includes payments on all forms of business debt, including loans owned by a federal agency, including SBA, or a small business investment company (SBIC) licensed under the Small Business Investment Act.

Prior to this update, proceeds from funds could only be used to pay for expenses necessary for the upkeep of the business until normal operations could resume, and for expenditures necessary to alleviate a specific economic injury. Which prohibited payments on federal debt or prepayment of non-federal existing debt, even if the debt has a balloon payment due.

### **Simplified Affiliation Requirements**

One of the headaches for businesses when it came to relief programs was the application process. Often times the steps were confusing and hard to navigate with ever-changing deadlines. To alleviate this headache, the SBA has made changes to its application process and established simplified affiliation requirements to model those of the \$28.6 billion Restaurant Revitalization Fund (RRF).

Any affiliated business may now apply for an EIDL if the eligible entity maintains an equity interest or right to profit distributions of no less than 50 percent. The same is true for the instances in which an eligible entity has the contractual authority to control the direction of the business, provided that such affiliation existed as of January 31, 2020. For example, if a business was partially acquired by a private equity company prior to the end of 2020, and it still maintains a 50 percent ownership stake, that business would be able to apply for an EIDL.

### **How Businesses Can Take Advantage of SBA Programs**

Now is the perfect time to take advantage of these money-saving, limited-time loan

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Small Business

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