7. **Requires the General Processing Procedure and Computation:** General processing steps are as follows: Additional detailed information is contained in Appendix 10 on all the items below.

   a. Identify the length of injury period.

   b. Determine Normal Sales, Normal MCM percent, Injury Period Sales and Injury Period MCM percent. Adjust COGS when necessary.

   c. Phase II Lost MCM = Normal MCM - Injury Period MCM.

   d. Determine if it is necessary to adjust injury or needs (including any extraordinary items, balance sheet adjustments, accelerated debt, etc.) in the loan amount.

   e. Deduct business interruption insurance and other recoveries. The result is total EI. This amount serves as a limit to the amount of needs that are attributable to the disaster and addressed by an EIDL.

   f. Calculate the total financial needs of the business. The only criteria for the needs calculation is that the need be essential to the continued viability of the business.

3. **Use of Proceeds:** Proceeds would generally be allocated to working capital, notes payable and accounts payable.

4. **Approval Authority:** As defined in paragraph 7.1 B.

E. **Ineligible Uses of Loan Proceeds:** 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.
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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.

F. MREIDL: For the MREIDL the incident period will begin with the deployment of the essential employee to active duty and will end upon release from active duty. Assume a 12-month injury period unless a more exact injury period is known (see Appendix 8).

G. See Appendix 12 for further information.

NOTE: Applicants who have Credit Available Elsewhere are ineligible for economic injury assistance. If you determine that the applicant has no Credit Available Elsewhere, you must assume that no personal, business, or affiliate resources are available to offset the EI amount.

3.32. SIZE DETERMINATION

A. Size Standard: SBA's size standards define whether a business concern is small and, therefore, eligible for an EIDL. SBA establishes size standards by types of economic activity, or industry, under the North American Industry Classification System.

B. Size Standards for an EIDL Applicant: For Disaster Loans (other than physical disaster loans), an applicant business must satisfy two criteria:

1. The size of the applicant alone (without affiliates) must not exceed the size standard for the industry in which the applicant is primarily engaged; and

2. The size of the applicant combined with its affiliates must not exceed the size standard designated for either the primary industry of the applicant alone or the primary industry of the applicant and its affiliates, whichever is higher.

NOTE: You must use the size standard in effect at the time the declared disaster commenced.

C. Definitions:

1. Business concern may be a sole proprietorship, partnership, limited liability entity, corporation, joint venture, association, trust, or cooperative.