

SBA Releases Guidance Regarding Reporting Suspicious Activity in the EIDL Program

The Small Business Administration (SBA) recently issued a guidance document to depository financial institutions regarding SBA's Economic Injury Disaster Loan (EIDL) Program, and regarding reporting of suspicious activity.

The EIDL direct loan program offers long-term, low-interest loans to small businesses, private non-profit organizations, and agricultural businesses that have suffered substantial economic injury as a result of a disaster. With regard to the COVID-19 declared disaster, the CARES Act authorized SBA to provide advances of up to \$10,000 to applicants for use in general business purposes.

When an EIDL advance or loan is disbursed, the proceeds are deposited into the verified financial institution account belonging to the applicant or borrower. That is a depository institution account using the Employer Identification Number (EIN) or Social Security Number (SSN) entered by the applicant or borrower in the EIDL loan application.

SBA has indicated it is aware of suspicious activities associated with the EIDL program. It has listed the following as examples of suspicious activities:

- Use of stolen identities or EIN or SSN numbers to qualify for the EIDL advance or EIDL loan.
- Purported businesses, including front or shell companies, lacking indicia of operating presence or history, receiving EIDL advances or EIDL loans.
- Applicants working with third parties to obtain EIDL advances or EIDL loans in exchange for keeping a percentage of the funds. Account holders that are victims of social engineering schemes and may not know that the source of the funds is an EIDL advance or EIDL loan.
- A customer advises a financial institution that the customer received a COVID-19 EIDL ACH deposit from "SBAD TREAS 310" and "Origin No. 10103615" into their account, but did not apply for a COVID-19 EIDL loan.
- A customer receives a COVID-19 EIDL ACH deposit after the financial institution previously denied the customer's Paycheck Protection Program (PPP) loan application, particularly where the financial institution identified inaccurate or incomplete information in the customer's PPP loan application.

SBA's directs depository financial institutions to FinCEN's COVID-19-related webpage (available at <https://www.fincen.gov/coronavirus>). Depository financial institutions suspecting suspicious activities should follow the protocols of the institution's compliance department, and report the same to SBA's Office of Inspector General.

SBA's recent guidance is available [here](#).

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