

FAQs About Paycheck Protection Program SBA 7(a) Loans for Nonprofits*

1. Is there any assistance for nonprofits in the Coronavirus Aid Relief and Economic Security (CARES) Act approved by Congress?

Yes, there are several provisions in the CARES Act but the most significant is the Small Business Administration (SBA) Paycheck Protection Program (PPP). Nonprofit 501(c)(3) organizations with no more than 500 employees are eligible to apply for PPP SBA 7(a) loans and a significant portion of the loan may be forgiven if requirements are satisfied (See question 9 below)

Note: You can receive a PPP loan or an Economic Injury Disaster Loan (EIDL) for the purposes of Covid19-related expenses, but not for the same purpose. You might want to apply for the PPP loans first because they are forgivable if you meet certain requirements. [See FAQ 10.]

2. How much is available for Payment Protection SBA 7(a) Loans?

The total pool available is \$349 billion for small businesses and nonprofits.

3. Until when will these loans be available?

PPP loans will be distributed on a first-come, first-served basis. While the loans will be available during the “covered period” which ends June 30, 2020, it is best to apply quickly. Loan applications can be submitted to lenders starting April 3, 2020.

4. What is the covered period of the loans?

Loans are intended to cover expenses incurred during the period from February 15, 2020 to June 30, 2020 (defined as the “covered period”).

5. How much can each organization apply for?

The maximum loan amount is 2.5 times the average total monthly Payroll Costs incurred in the calendar year 2019, or \$10 million, whichever is smaller. So, if the loan was made on April 1, 2020, and average monthly payroll costs for calendar year 2019 were \$500,000, the maximum loan amount would be \$1,250,000. Businesses and nonprofits that were not in existence during the period from February 15, 2019 to June 30, 2019 can apply for 2.5 times the average total monthly payroll payments from January 1, 2020 to February 29, 2020, or \$10 million, whichever is smaller.

A different calculation applies to seasonal businesses (average monthly payroll costs for the 12 weeks beginning February 15, 2019 or March 1, 2019 and ending June 30, 2019).

***Some of the information included in this documentation is subject to change based on ongoing interpretation of the ACT and issuance of guidance by the SBA and other government agencies.**

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6. What is included in Payroll Costs?

Payroll Costs includes compensation to employees, such as salary, wages, etc.; paid vacation, parental, family, medical or sick leave, severance payments; payment for group health benefits, including insurance premiums; retirement benefits; state and local taxes; and compensation to sole proprietors or independent contractors (including commission-based compensation).

Current interpretations regarding independent contractors remain ambiguous. We believe the correct interpretation is to include such compensation in Payroll Costs.

7. What is explicitly excluded from Payroll Costs?

Payroll costs are capped at \$100,000 on an annualized basis for each employee. Compensation to employees whose principal place of residence is outside of the U.S. is excluded. In addition, federal payroll taxes and withholding on federal income taxes are also excluded, as are qualified sick or family leave payments mandated by the Family First Corona Response Act.

8. What can the loans be used for?

The loans can be used for operational costs, including payroll, health benefits, paid sick or medical leave, insurance premiums; mortgage and rent payments; utilities; and interest on debt incurred before the covered period.

9. What is the interest rate on the loans?

The interest rate on the loans is 0.5%.

10. What are the requirements for loan forgiveness?

Loan forgiveness will be reduced to reflect a reduction in head count based on the following formula.

Payroll Costs and other qualified costs (as calculated, per definition in FAQ 6)	\times the quotient of	Average # of FTEs per month for the 8 weeks beginning	\div	Option 1: Average # of FTEs per month from 2/15/2019 to 6/30/2019 OR <hr/> Option 2: Average # of FTEs per month from 1/1/2020 to 2/29/2020 <hr/> For Seasonal Employers: Average # of FTEs per month from 2/15/2019 to 6/30/2019
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Borrowers should use the measurement period providing the best result compared to average FTEs during the covered period.

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Level of Payroll: Loan forgiveness will also be reduced if you decrease salaries and wages during the 8-week covered period by more than 25 percent for any employee that earned less than \$100,000 annualized in 2019.

Re-Hiring: You have until June 30, 2020 to restore your FTEs and salary levels for any changes made between February 15, 2020 and April 26, 2020.

NOTE: Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.

11. What are the eligibility requirements for a loan?

All businesses, including nonprofits, with 500 or fewer employees can apply. Borrowers must fulfill certain requirements to qualify for a loan. As noted in the question below, borrowers must be able to certify the need for the loan to support operations during the COVID-19 emergency, and they must certify that they will use the funds to retain workers and maintain payroll, and for rent, mortgage interest, and utility payments. They must also certify that they are not receiving funds for this purpose from another SBA loan program.

12. What are the certification requirements?

As part of your application, you will need to certify in good faith that.....

- Current economic uncertainty makes the loan necessary to support your ongoing operation.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program.
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm that the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

13. When do the loans have to be repaid?

The loans must be repaid in two years from the loan origination date, i.e., loan proceeds are made available. There will be an automatic deferment of payments for a period of 6 months from the loan origination date. However, interest will continue to accrue over this period. There are no prepayment penalties.

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14. How do I apply for the PPP loan? Do I apply directly to the Small Business Administration?

The SBA is not handling the origination and processing of the PPP loans. The SBA sets guidelines for loans made by its partnering lenders, community development organizations, and micro-lending institutions. The loan application can be found [here](#).

15. Which banks can I approach for a loan under the Paycheck Protection Program?

The list of banks, credit unions and other lenders can be [found here](#). It is very likely that the bank you do business with may have an SBA loan officer or will know about the program. Federally insured depository institutions or federally-insured credit unions may also be participatory SBA lenders. In addition, other regulated lenders are expected apply to become qualified lenders under this program.

16. What criteria will be used to determine my organization's credit risk?

Typically, SBA lenders may use credit scores to determine credit risk. However, Paycheck Protection Program loans are 100% government-backed loans, so banks will be able to lend money to most if not all organizations with weaknesses in their loan applications. Borrowers do not need to demonstrate that they could not achieve credit elsewhere (as required for general SBA 7(a) loans).

Instead of determining repayment ability, which is not possible during this crisis, lenders will determine whether a business was operational on February 15, 2020, and had employees for whom it paid salaries and payroll taxes, or independent contractors. Furthermore, the loan will not require collateral or a personal guarantee.

17. How long will it take to get the funds?

Under the CARES Act, the loan process will be streamlined, and SBA participating lenders will be authorized to expedite loan processing.

18. Does it cost anything for my organization to apply for a PPP loan?

No, borrower origination fees will be waived for these loans.

19. Do I need to personally guarantee this loan or pledge any collateral?

No, personal guarantees and collateral are not required.

20. Is the application online for me to review?

The loan application can be found [here](#).

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21. What will I need to present to the bank with my application to obtain a PPP loan?

You will need to check with your lender, but banks will likely request the following financial information with your loan application.

- Copies of payroll tax reports file with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the entire year of 2019 and first quarter of 2020 (if available).
- Copies of payroll reports for each pay period for the preceding 12 months. Such reports should include gross wages including PTO (which might include vacation, sick, and other PTO). This includes payroll reports through the pay period preceding the origination of the SBA loan.
- Documentation reflecting the health insurance premiums paid by the company under a group health plan for the immediately preceding 12 months prior to the date of the SBA loan origination.
- Documentation of all retirement plan funding by the employer for the immediately preceding 12 months. Copies of work papers, schedules and remittances to the retirement plan administrator should be sufficient.

22. What will I need to present to the lender to support my application for loan forgiveness? Please be in touch with the lender to see what their specific requirements are. You are likely to need the following:

- Copies of payroll tax reports file with the IRS (including Forms 941, 940, state income and unemployment tax filing reports) for the 8-week period following the origination of the loan.
- Copies of payroll reports for each pay period for the 8-week period following the origination of the loan. Gross wages including PTO (which might include vacation, sick, and other PTO) should be reflected.
- Documentation reflecting the health insurance premiums paid by the company under a group health plan for the 8-week period following the origination of the loan should be provided. Copies of the monthly invoices should suffice.
- Documentation of all retirement plan funding by the employer for the 8 weeks following the origination of loan should be sufficient. Copies of work papers, schedules and remittances to the retirement plan administrator should be available.
- Copies of all lease agreements for real estate and tangible property should be presented along with proof of payment during the 8 week period following the loan origination date.
- Copies of all statement of interest paid on debt obligations incurred prior to February 15, 2020 indicating payment amounts and proof of payment for the 8-week period following the loan origination date.
- Copies of cancelled checks, statements or other evidence of utilities paid during the "covered period" for the 8-week period following the loan origination date.

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