



U.S. Small Business  
Administration



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***Please note, information is updated rapidly as CARES Act passage authorizes SBA to create new programs. This information is current as of 5/12/20. Please check [SBA.gov/coronavirus](https://www.sba.gov/coronavirus) for the most up-to-date information.***

# Financial Assistance Available

For small business affected by COVID-19

- Debt Deferment or Relief:
  - Automatically deferring payments on existing disaster loans thru 12/31/20
  - Existing 7(a), 504 and microloans can be deferred – talk to your lender
  - SBA Debt Relief Program
    - The SBA will also pay the principal and interest of **new 7(a) loans, 504 loans, and microloans** issued prior to September 27, 2020.
    - The SBA will pay the principal and interest of **current 7(a) loans, 504 loans, and microloans** for a period of six months.
- Paycheck Protection Program – Phase 2 now available
- Economic Injury Disaster Loan
  - EIDL Advance of up to \$10,000. The advance does not need to be repaid.

# Economic Injury Disaster Loan (EIDL)

## What is it?

Low-interest loan for working capital to small business suffering economic injury as a result of COVID-19

- Max loan size is determined by the Office of Disaster Assistance
- Pay for financial obligations and operating expenses which could have paid had the disaster not occurred
  - Includes: Fixed expenses, rent, payroll, accounts payable, extraordinary expenses incurred due to disaster, interest payments
  - Does not include: refinancing long-term debt, tax penalty payments, expansion costs, dividends or bonuses
- Payments are deferred for a year
- 3.75% interest rate, 2.75% for nonprofits. 30 year term.
- Up to 10,000 forgivable advance as a result of the CARES act, even for denied loan applications.

# Economic Injury Disaster Loan (EIDL)

## Considerations for non-profits

SBA makes eligibility determinations. Applicants should apply and answer each question in the application honestly and to their fullest ability.

- Generally eligible nonprofits:
  - 501c(3) (including religious organizations), c(6), tribal concerns, veterans nonprofits, beneficial owner associations (chapters), HOAs, § 42 low income housing partnerships, membership groups and clubs
- Size restrictions and affiliation tests for EIDL loans do not apply. Nonprofits of any size may apply.
- Organizations owned or controlled by government entities are not eligible

# Economic Injury Loan Program

## Updates

- Applications are continuing to be processed.
- Anyone who applied before March 30<sup>th</sup> needs to re-apply. This will not impact the order in which your application will be considered.
- To ensure that the greatest number of applicants can receive assistance, the office of disaster assistance calculates the amount of an Advance by the number of your pre-disaster (i.e., as of January 31, 2020) employees. The Advance will provide \$1,000 per employee up to a maximum of \$10,000.
- The SBA disaster office is the only source for updates on submitted applications 1-800-659-2955
- Application portal is now open for **agricultural businesses and businesses re-applying**

# Paycheck Protection Program

- Loan provided by participating lenders to pay up to 8 weeks of payroll costs, including benefits. Funds may pay interest on mortgage, rent and utilities
- Max Loan size is 2.5x average monthly payroll costs (*cap: \$100,000 annualized/employee*)
  - *Step-by-step calculator for business types on the treasury website [here](#) (#6 for non-profits)*
- Purpose is to keep employees on the payroll or rehire quickly
- Loan will be forgiven if used for payroll expenses – not more than 25% of costs may be for mortgage interest, rent/utilities.

# PPP Details

- Eligible applicants: All small businesses, 501c3 non-profits, Veterans organizations, Tribal concerns, sole proprietorships, self-employed individuals, and independent contractors
- Maximum loan: \$10 million
- Interest Rate: 1%
- Term: 2 years
- Payment deferral for 6 months
- 100% guarantee by SBA
- No collateral
- No personal guarantee
- No prepayment penalty
- No loan fees to be paid by the borrower
- Find a PPP lender: <https://www.sba.gov/paycheckprotection/find>



# Paycheck Protection Program

## What Expenses are Included in Payroll Costs?

- Salary, wages, commissions, or tips. These are limited to the first \$100,000 on an annualized basis per employee;
- Employee benefits including costs related to leave; allowance for separation or dismissal; group health care including insurance premiums; retirement; (worker's comp is not included)
- State and local taxes assessed on compensation; and
- *For a sole proprietor or independent contractor:* wage, commissions, income, or net earnings from self-employment, limited to the first \$100,000 on an annualized basis.

## What Expenses are not Included in Payroll Costs?

- Salary, wages, commissions, or tips on any amount in excess of the first \$100,000 per employee;
- Payments to independent contractors (because independent contractors have the ability to directly apply for a PPP loan);
- Taxes imposed or withheld;
- Any compensation of an employee whose principal place of residence is outside of the United States;
- Qualified sick leave wages or qualified family leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116-127);

# Paycheck Protection Program

*For Paycheck Protection program loan forgiveness, detailed rule-making from the Treasury has yet to be released. Until that detailed guidance is released the below is an overview for business owners in using their PPP funds.*

## **What Costs are Included in the Forgiveness Calculation?**

- Payroll costs
- Payments of interest on eligible mortgage obligations.
- Rent /Mortgage Interest
- Utilities (electricity, water, gas, telephone, internet service)

The amount eligible for forgiveness is the amount of costs actually incurred and paid during the 8-week period beginning on the date of disbursement of a PPP loan. The amount eligible for debt forgiveness will be reduced when a borrower reduces its number of employees or tipped workers or the salaries or wages of employees. Any balance that remains after forgiveness of the loan will be repaid by the Borrower

Borrowers must submit requests for forgiveness to the Lender no later than June 30, 2021. Lenders will have 60 days to approve or decline the request once received from the Borrower

# Paycheck Protection Program

## Considerations for non-profits – Cont.

- Eligibility
  - 501c(3)
  - Tribal Concerns
  - 501c(19)

### Eligibility clarification:

- Hospitals receiving less than 50% of funding from state or local sources, exclusive of medicaid

### Eligibility certifications:

- The lender and the applicant have a responsibility.

# Paycheck Protection Program

## Considerations for non-profits

### Size standards:

- Three options for all applicants, but only 1 for nonprofits:
  1. 500 or fewer employees
  2. Meets a size standard ([sba.gov/size](https://www.sba.gov/size) NAICS 813 are all revenue based)
  3. Meets the alternative size standard (net worth <\$15M, net income <\$5M)

### Affiliations

- Unlike EIDL, nonprofits must consider affiliations for eligibility.

### Counting Employees:

- For eligibility: “individuals employed on a full-time, part-time, or other basis.”
- For forgiveness: “fulltime equivalent employees”

### Exemptions:

- Work study students for higher education applicants are not counted

# Paycheck Protection Program

For nonprofits

How does affiliation work?

- See the Interim Final Rule on Affiliation at [treasury.gov/cares](https://www.treasury.gov/cares)
- The program limits participation to companies **and their affiliates (combined)** with fewer than 500 employees.
- If an entity is deemed affiliated with an applicant then all of the controlled entities in *that* organization's portfolio may be part of the affiliation

4 tests, all relate to control.

1. Ownership (*power to control >50% equity or power to block action by the board of directors*)
2. Stock options, convertible securities, agreements to merge (*if the rights exist we treat them as if they've been exercised.*)
3. Management (*Does the CEO or do the controlling parties control multiple firms?*)
4. Identity of interest (*immediate family members*)

Exemptions and waivers:

- Religious institutions
- NAICS code 72 businesses (hotels and restaurants)
- Any business with funding from a Small Business Investment Company
- Minority shareholders can “irrevocably waive or relinquish” existing rights that trigger affiliate status

# Paycheck Protection Program

For nonprofits

<i>Category</i>	<i>Affiliation may be found if...</i>
Ownership	<ul style="list-style-type: none"> <li>▶ An individual, concern, or entity owns or has the power to control more than 50% of voting equity</li> <li>▶ An individual, concern, or entity owns or has the power to control a block of stock that is large compared to others</li> <li>▶ Two or more persons owns, controls or has the power to control less than 50% of voting equity and such holdings are equal or about equal in size and are large compared to other holdings, SBA presumes that each controls or has the power to control.</li> <li>▶ If voting equity is widely held and no block is large as compared to all others, then Board and CEO/President will be deemed to control.</li> </ul>
Options, convertible securities, agreements to merge (given <i>present effect</i> )	<ul style="list-style-type: none"> <li>▶ If an individual or entity has control with the exercise of options and/or convertible securities and agreements to merge; however, agreements that are open or merely continue negotiations about a possible merger are not given present effect</li> </ul>
Common management	<ul style="list-style-type: none"> <li>▶ Officers, managing members, partners who control the management of the concern also control the management of another concern</li> <li>▶ Individuals or entities that control the board of directors of the concern also control the board or management of another concern</li> </ul>
Identity of interest	<ul style="list-style-type: none"> <li>▶ SBA may <i>presume</i> identity of interest among two or more persons/entities, and therefore affiliation, such as:               <ul style="list-style-type: none"> <li>(a) Between family members or individuals/firms with common investments and with identical or substantially identical business or economic interests.</li> <li>(b) If a firm economically relies on another firm (e.g., for a certain percentage such as 70% or more of its receipts).</li> </ul> </li> </ul>

# Paycheck Protection Program

## Other FAQs

- Who needs to be listed on the application?
  - Only an authorized representative. An individual's signature as an "Authorized Representative of Applicant" is a representation to the lender and to the U.S. government that the signer is authorized to make the certifications, including with respect to the applicant and each owner of 20% or more of the applicant's equity, contained in the Borrower Application Form. Lenders may rely on that representation and accept a single individual's signature on that basis
- What about "necessity"?
  - Applicants must certify that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant."
  - Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business.
  - The SBA has decided, in consultation with the Department of the Treasury, that it will review all loans in excess of \$2 million, in addition to other loans as appropriate, following the lender's submission of the borrower's loan forgiveness application.

# Paycheck Protection Program

## Updates

- Availability from lenders – over 5,000 lenders in the system now. Online lenders are now involved (square, paypal, quicken, etc.)
- Where guidance is released: [home.treasury.gov/cares](https://home.treasury.gov/cares) and [sba.gov/ppp](https://sba.gov/ppp)
- Detailed information about applying for forgiveness is forthcoming, but *has not been released*. Business owners will need to rely on their lender.
- Phase 2 availability:
  - SBA is pacing how many loans we process/approve every day under the program
  - No one lender will be able to issue more than 10% of the total PPP funding authority.
  - \$60B set-aside for smaller lenders
  - As of **05/10** 188B of the 450B PPP funds had been approved for 2.5M applicants.





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