

Keeping Our Grantees in Business

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Two Programs through SBA

- SBA 7(a) Payroll Protection Program
- SBA Economic Injury Disaster Loans

SBA 7(a)/Payroll Protection Program

Nonprofit and for-profit organizations with fewer than 500 employees are eligible for loans of up to \$10 million to meet payroll and associated costs such as health insurance premiums, facilities, costs, and debt servicing. Much of the loan is forgivable if the organization keeps staff on payroll during the loan period. This, in essence, turns a portion of the loan into a general operating grant.

The Details

- Program Overview
- Eligible Entities
- Lenders
- Loan Period
- Loan Amount
- Use of Proceeds
- Loan Forgiveness Mechanism
- Repayment Terms

Borrowers and Lenders

- *Program Overview*: Provides \$349 billion for the SBA's 7(a)/PPP loan on a first-come-first-served basis.
- *Eligible Entities*: Businesses or 501(c)3 nonprofits with 500 or fewer employees, regardless of whether they qualify as a small business under the normal SBA standards.
- *Lenders*: Loans are made directly through *local* 7(a) lending institutions and are guaranteed by the SBA. No personal or collateral guarantee is required.

Borrowing Terms

- *Loan Period:* Loans are intended to cover expenses incurred during the period between February 15 and June 30, 2020.
- *Loan Amount:* Recipients are eligible for a loan of up to 2.5 times the organization's average monthly payroll (with pay capped at \$100K per employee), up to a maximum of \$10 million.
- *Permitted Uses:* Payroll support (up to \$100K per person), benefits, paid sick leave, mortgage payments, rent payments, and debt servicing.

Repayment

- *Loan Forgiveness Mechanism:*
 - Nonprofits are eligible for loan forgiveness for the amount spent during the first 8 weeks of the loan on: payroll costs, interest payment on mortgage, rent, and utilities.
 - The portion of these expenses that is eligible for forgiveness depends on the percentage by which you reduced FTE staff and/or salaries relative to a comparable period in 2019.
 - The specific mechanics of this comparison are not yet defined.
- *Repayment Terms:* For any portion that must be repaid, the maximum interest rate is 4%; the maximum repayment term is 10 years; principal and interest are deferred for up to a year; and all borrower fees are waived.

Economic Injury Disaster Loans

As part of its disaster assistance program, the SBA is providing low-interest working capital loans of up to \$2M to small businesses and nonprofits affected by the coronavirus.

Details

- *Eligibility:* As of March 23, small businesses and nonprofits in every state can apply.
- *Amount:* Recipients are eligible for loans of up to \$2M.
- *Permitted Uses:* Loans may be used to cover accounts payable, debts, payroll and other bills the coronavirus has affected your ability to pay.
- *Terms:* These loans carry an interest rate of 2.75% for nonprofits. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay, but go up to a maximum of 30 years.
- *Application:* You can apply now online at the SBA website. You will need to fill out a number of forms and supply supporting documentation.

Economic Injury Disaster Loans

- *No Double Dipping...But:*
 - A borrower can separately apply for SBA Economic Injury Disaster Loans (stimulus package #1) and expanded 7(a)/PPP loans.
 - There is a specific prohibition against double dipping, but that prohibition has a specific exception if the loan applications are for different purposes (such as personnel and rent costs and related for 7(a) and other operating expenses for EIDL).

Questions??