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 (PPA). 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.

   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 14.]

2. What is included in headcount to determine the size of the business or organization?

   In determining an entity’s number of employees, SBA counts all individuals employed on a full-time, part-time, or other basis. This includes employees obtained from a temporary employee agency, professional employee organization (PEO) or leasing concern.

   The calculation is based on the following principles:

   • The average number of employees of an entity is used (including the employees of its domestic and foreign affiliates) based upon numbers of employees for each of the pay periods for the preceding completed 12 calendar months.
   • Part-time and temporary employees are counted the same as full-time employees. It is a headcount.
   • If an entity has not been in business for 12 months, the average number of employees is used for each of the pay periods during which it has been in business.
   • The average number of employees of an entity with affiliates is calculated by adding the average number of employees of the entity with the average number of employees of each affiliate.

3. If I have more than 500 employees, can I still qualify for a PPP loan?

   Small business concerns can be eligible borrowers even if they have more than 500 employees, as long as they satisfy the existing SBA definitions of a “small business concern.” A business can qualify if it meets the SBA employee-based or revenue-based size standard corresponding to its primary industry. Go to www.sba.gov/size for the industry size standards.

   There is also a two-part alternative size standard test. An entity can qualify for the Paycheck Protection Program as a small business concern if it meets both tests. You can read about this in more detail in this FAQ from the Treasury Department.

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4. What does affiliation mean with respect to SBA loans?

The SBA’s affiliation analysis is intended to determine whether entities that might appear small are, in fact, tied to other entities and thus have additional employees in their headcount. As a general matter, entities are considered affiliates when one controls or has the power to control the other, regardless of whether an entity exercises that power.

New SBA guidance confirms that the affiliation rules are waived for faith-based organizations, if the relationship is based on a religious teaching or belief, or otherwise constitutes a part of the exercise of religion. If, however, a faith-based organization is affiliated with other organizations solely for non-religious reasons, such as administrative convenience, then the faith-based organization would be subject to the affiliation rules. See here for the SBA’s April 14th guidance.

5. How much is available for PPP loans from the SBA?

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

NOTE: As of April 16, 2020, the pool of funding had been fully allocated. Please advocate for additional funding.

6. 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.

7. 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”).

8. 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 in the preceding 12 months, plus EIDL, net of advance (if applicable), or $10 million, whichever is smaller. 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 plus EIDL, net of advance (if applicable), 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).

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9. 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.

NOTE: Independent contractors have the ability to apply for PPP loans on their own, so they do not count for purposes of a borrower’s PPP loan calculation.

10. Is parsonage included in payroll calculations?

We interpret parsonage expenses as a form of compensation for employees that is in the same category of wages, commissions and tips. Some organizations issue 1099’s for some of these expenses, and because the latest SBA guidance specifically states that independent contractors are not included in payroll calculations, we encourage you to consult your professional advisors (accountant or lawyer) and with your lender for further guidance.

11. What is explicitly excluded from Payroll Costs?

Payroll costs excludes the cash compensation of an individual employee in excess of an annual salary of $100,000, prorated as necessary. The CARES Act does not exclude non-cash benefits (employer contributions to retirement plans; employer-paid group health care coverage; payment of state and local taxes) to individuals earning more than $100,000 per year.

All compensation to employees whose principal place of residence is outside of the U.S. is excluded.

In addition, payroll costs do not include the employer’s share of federal payroll tax.

12. 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.

NOTE: At least 75% of the loan amount must be used for payroll costs.

13. What is the interest rate on the loans?

The interest rate on the loans is 1.0%.

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14. How do I estimate loan forgiveness?

NOTE: The calculation of how much you can borrow is based on payroll costs, and the forgiveness calculation uses modified payroll costs and other qualified costs.

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

\[
\text{Payroll Costs + Interest on mortgage + Rent + utilities} \\
\times \frac{\text{Average # of FTEs per month for the 8 weeks after loan origination}}{\text{the quotient of Option 1: Average # of FTEs per month from 2/15/2019 to 6/30/2019 OR Option 2: Average # of FTEs per month from 1/1/2020 to 2/29/2020}}
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Borrowers should use the measurement period providing the best result compared to average FTEs during the covered period.

*The eight-week period begins on the loan origination date, which is the date the lender makes the first disbursement of the PPP loan to the borrower.*

Level of Payroll: Loan forgiveness will also be reduced if you decrease salaries and wages during the 8-week period after loan origination 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:** At least 75% of the loan amount must be used for payroll costs.

**NOTE:** Please refer to JFNA’s loan calculator to estimate your loan and forgiveness amounts.

15. For the calculation of an estimate of loan forgiveness, what is meant by an “FTE”?

Full-Time Employee is an employee who is employed on average at least 30 hours per week.

Full-Time-Equivalent (FTE) Employee refers to a combination of employees, each of whom individually is not a full-time employee because they are not employed on average at least 30 hours per week, but who, in combination, are counted as the equivalent of a full-time employee. For example, two employees, each of whom works 15 hours per week, are the equivalent of one full-time employee.

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16. **What are the eligibility requirements for a loan?**

   All businesses, including nonprofits, with 500 or fewer employees can apply, and some small business concerns with more than 500 employees may also apply. [See FAQ 3 above] 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.

17. **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.

18. **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.

19. **How do I apply for the PPP loan? Do I apply directly to the Small Business Administration? Where can I find the application?**

   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](#). However, check with your lender to confirm whether they are using this form or an online portal.

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20. **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 and other potential lenders. 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.

21. **What criteria will be used to determine my organization’s credit risk?**

   Paycheck Protection Program loans are 100% government-backed loans, so banks will be able to lend money to most if not all organizations. 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. Furthermore, the loan will not require collateral or a personal guarantee.

22. **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.

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

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

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

   No, personal guarantees and collateral are not required.

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

   Borrowers must submit such documentation as is necessary to establish eligibility, such as payroll processor records, payroll tax filings. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation such as bank records sufficient to demonstrate the qualifying payroll amount.

   **NOTE:** Please check with your lender to learn their specific documentation requirements.

26. **What will I need to present to the lender to support my application for loan forgiveness?**

   **NOTE:** Please be in touch with the lender to see what their specific requirements are.

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27. What do I do if my own bank isn’t participating in the PPP loan program?

If your bank will not be participating, we suggest you contact your local Federation for help. Some have been able to leverage relationships with a local bank to help other organizations. Also, a member of your board or membership may be able to leverage banking relationships. We will continue to work to identify additional banking resources for those who need the help.

For additional information, please refer to this FAQ from the Treasury Department, updated on April 15, 2020.

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