



CARAVANSERAI PROJECT
SUPPORTING CHANGE MAKERS ALONG THEIR JOURNEYS

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April 3rd, 2020

A QUICK GUIDE FOR NON-PROFITS TO APPLY FOR PAYCHECK PROTECTION PROGRAM (PPP) LOANS UNDER THE CARES ACT*

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UPDATES

1. SBA provided additional guidance April 2nd, and this overview has been updated to reflect that guidance. **Key changes include:**
 - a. Interest rate increased from 0.5% to 1%.
 - b. Loan term is confirmed at 2 years.
 - c. Independent contractors who provide employee-like services do not count toward qualified payroll amount.
2. The application process on Friday, April 3rd has been disorganized and inconsistent as some banks have declined to participate or deferred acceptance. Banks accepting applications have seen extraordinary demand, and on-line systems have been overburdened.

I. Key Points

1. Purpose is to help employers retain employees.
2. \$350B loan program open to 501(c)(3) non-profits, with fewer than 500 employees, which were **harmed by COVID-19 pandemic between February 15, 2020 and June 30, 2020.**
3. Provides 100% federally guaranteed loans to employers in an amount up to 2.5 times the amount of covered monthly payroll.
5. Loans can be used for payroll, mortgage or lease payments, and utilities.
6. Provides for forgiveness of loan if:
 - a. funds are used for payroll, mortgage or rent, or utilities; and
 - b. payroll and headcount are maintained or restored.
7. **Loans applications can be submitted beginning on Friday, April 3, 2020.**

!! Apply quickly and prepare needed supporting documentation. Demand for loans will be greater than available amount!!

II. Where To Apply?

1. Go to your organization's existing lender first.
2. Any banks and other lenders that provides SBA 7(a) loans.
3. Perhaps new lenders to be named by the federal government.

III. How to Apply?

1. Find out how your bank is accepting applications: on-line, in writing, or both.
2. Submit Completed and Signed Paycheck Protection Program **Application Form** (SBA Form 2483) including verifications. **Form is available online now.**

IV. What Documents and Information Needs to Be Supplied And When?

1. Find out from bank what information is required and when to submit.
2. Prepare and submit supporting information as bank requires. Information provided with Application should match what has been provided, or will be provided, to IRS. Most likely to include:
 - a. 12 months Payroll Information, including W-2 or W-3 and any 1099 Misc;
 - b. List of Employees;
 - c. Covered payroll includes:
 - i. annual compensation including salary, commissions, cash tips, payment for vacation, parental, family, medical or sick leaves, and any severance payment;
 - ii. payments for group health benefits, payment for retirement benefits, and payment for State and/or Local payroll tax; and
 - iii. excluding compensation of individual employees greater than \$100,000.
 - d. Copy of Signer's Driver's License
 - e. Non-Profit's Organizational Documents
 - i. Articles of Incorporation or Articles of Organization,
 - ii. By-laws or Operating Agreement

V. What Is Loan Amount?

Loan amount can be up to 2.5 times average monthly payroll costs from the last year, capped at \$10 million.

VI. What Can the Loans Be Used For?

1. Payroll costs and benefits, including:
 - a. Salary, wages, commissions, or tips (capped at \$100,000 on an annualized basis for each employee);
 - b. Employee benefits, including costs for vacation, parental, family, medical, or sick leave; allowances for separation or dismissal; group health insurance premiums; payment of retirement benefits.
 - c. State and local taxes assessed on compensation.
2. Interest on mortgages incurred before February 15, 2020;
3. Rent, under lease agreements in force before February 15, 2020; and
4. Utilities, for which service began before February 15, 2020.



VII. What About Loan Forgiveness?

1. All or some of the loan can be forgiven if it can be shown that the loan amount was used during the 8 weeks after the loan was granted, for:
 - a. Payroll costs;
 - b. Mortgage interest;
 - c. Rent; and
 - d. Utilities payments.
2. If staff number and payroll are not maintained, loan forgiveness will be reduced.
 - a. Number of staff: loan forgiveness reduced if full-time employee headcount decreases;
 - b. Pay Decrease: loan forgiveness reduced if salaries and wages decrease by more than 25% for any employee.

VIII. What If Employees Have Already Been Laid Off?

Have until **June 30, 2020** to restore full-time employment and salary levels for any changes made between **February 15, 2020 and April 26, 2020**.

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IX. What Is The Process To Apply For Loan Forgiveness?

1. Follow requirements and instructions from lender.
2. Generally, include documents that:
 - a. Verify number of employees and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
 - b. Verify payments on mortgages or leases, and utilities.
 - c. Certify that the documentation provided is true and that the amount that being sought be to forgiven was used in accordance with the program's guidelines for use.

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X. What are the Loan Terms for Non-Forgiven Loan?

1. Up to 10 year term.
2. Currently 0.5% interest rate (capped at 4%).
3. No loan fees.
4. No prepayment fee.
5. Principal and interest deferred up to a year after disbursement.

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XI. How Do PPP Loans Relate to other SBA Loans?

1. Outstanding balance of an Economic Injury Disaster Loan (EIDL) taken out between February 15, 2020 and June 30, 2020 may be added to the PPP loan;
2. Borrowers may apply for PPP loans and other SBA financial assistance, including Economic Injury Disaster Loans (EIDLs), 7(a) loans, 504 loans, and micro loans;
3. Emergency Economic Injury Grant recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan as long as there is no duplication in the uses of funds.

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**Our suggestions above are based on our understanding of the CARES Act and the public information we currently have. We don't have specific information about your organization or operations. And, as you know, economic and financial situations are changing rapidly. As such, you should not rely solely on our suggestions and should act in your own best judgment.*