COVID RELIEF COALITION
KEY SOURCES OF RELIEF FOR NONPROFITS
AGENDA

- COVID Relief Coalition
- Overview of Paycheck Protection Program
- How to Apply for a Paycheck Protection Program Loan
- Other Potential Sources of Relief
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Introduction – COVID Relief Coalition

- A coalition of governmental agencies, nonprofits and law firms in Massachusetts joining forces to help small businesses and nonprofits in the greater Boston area access emergency loans and other sources of relief.
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The Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted on March 27, 2020. The CARES Act authorizes the Small Business Administration (the “SBA”) to provide guarantees for no-fee forgivable loans pursuant to a $349 billion expansion of the SBA’s 7(a) loan program (the “Paycheck Protection Program”).

Following enactment of the CARES Act, the SBA and the Treasury Department have been providing additional guidance on a rolling basis. This guidance continues to be evolving.

Time is of the essence, as the loans, which are generally awarded on a first-come-first-served basis, are likely to be oversubscribed. However, there is potential for follow-on rounds of government funding. The Treasury Department has already asked to replenish the existing program with an additional $250 billion.
General Eligibility

- **General Eligibility.** Until June 30, 2020, small businesses and nonprofits organized as 501(c)(3) organizations or 501(c)(19) organizations (i.e., veterans organizations) are generally eligible to apply for a loan under the PPP. As a general rule, the applicant, together with its affiliates, must not employ more than 500 employees.

  - Recent guidance clarifies that the 500 employee threshold should be based on a trailing 12-month average (rather than a snapshot as of the time of the loan application).

  - In determining the number of employees, the SBA counts all individuals employed on a full-time, part-time or other basis. Independent contractors are not included.

- The rules as to what represent an “affiliate” are complex, and may come into play for larger small businesses or non-profits.

- Applicants must have been in operation on February 15, 2020.
Summary of Loan Terms

- **Maximum Loan Amount.** The maximum loan amount is **2.5 times the average total monthly payroll costs** (defined below), subject to a **$10 million cap**.
  - Average payroll costs (which are capped at $100,000) are generally measured using (i) an average based on the 12-month period before the date the loan is made or (ii) an average based on calendar year 2019.
  - Payroll costs include employee salary, wages and commissions; payment of cash tips; payment of vacation; parental, family, medical or sick-leave; allowance for dismissal or separation; payment required for group health benefits (including insurance premiums); payment of retirement benefits; or payment of state or local tax assessed on employee compensation; and sole proprietor income or independent contractor compensation not in excess of $100,000.

- **Use of Loan Proceeds.** Proceeds of covered loans may be used for payroll costs (including continuation of group health care benefits during periods of paid sick, medical, or family leave, or insurance premiums, salaries or commissions or similar compensation), interest on mortgage obligations, rent, utilities, and interest on other outstanding debt incurred prior to February 15, 2020.

- **For full loan forgiveness (discussed below), at least 75% of the proceeds must be used for payroll costs.**
Summary of Loan Terms

- **Interest Rate.** 1.00%
- **Loan Maturity.** 2 years. No prepayment penalties or fees.
- **Collateral.** No collateral or personal guarantees are required. Unsecured.
  - If borrower has any existing loans, SBA loans will be effectively subordinated.
  - However, consent of existing lenders could still be required under existing loan agreements.
- **Non-Recourse.** Loans are nonrecourse, except to the extent the loan proceeds are used for a purpose other than borrower’s payroll, mortgage interest, rent, utilities and other permitted uses.
- **Fees.** The SBA will not collect any fees on loans issued under the PPP.
- **Payment Deferral.** All loan payments are eligible for deferral for 6-12 months.
Loan Forgiveness

- Maximum Loan Forgiveness. Up to 100% of the amount spent by the borrower on payroll costs, rent, interest on mortgage obligations and utilities during the eight-week period following loan origination.
  - Provided, that not more than 25% of the loan forgiveness amount may be attributable to non-payroll costs.

- Forgiveness Reduction. A borrower’s maximum forgiveness amount will be reduced if it reduces the number of full-time equivalent employees and/or reduces wage or salary compensation of its full-time equivalent employees
  - The maximum forgiveness amount will be reduced in the same proportion that the borrower’s full-time equivalent employees are decreased during the 8-week period following the origination of the loan measured against the borrower’s monthly average full-time equivalent employees from either (i) February 15, 2019 - June 30, 2019 or (ii) January 1, 2020 - February 29, 2020, at the borrower’s election.
  - The maximum forgiveness amount will be reduced dollar-for-dollar for any wage or salary reduction of an employee in excess of 25%, measured against the wage and salary for such employee during the most recent full quarter prior to loan origination. Employees paid more than $100,000 in 2019 are not subject to the 25% limitation on salary decreases.
  - Loan forgiveness will not be impacted if the borrower increases its workforce or salary/wages, as applicable, to the levels described above by June 30, 2020.

- BUT, practically it may be challenging to expend 75% of proceeds on payroll within 8 weeks.
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SBA Lenders

- **Eligible Lenders** – PPP applications will be made directly through current SBA-approved lenders and other lenders approved by the SBA who have elected to participate in the PPP.

  - The SBA website has a lookup tool to find eligible lenders by zip code.

- There has been significant turmoil in the early days of the application period, with many SBA lenders not yet accepting applications, and those that are using alternate forms or imposing extra requirements.

- Practically, the best place to start is to see if your existing banking relationship is an SBA lender and is accepting applications.
“Small Business Administration (SBA) and U.S. Treasury have released the Paycheck Protection Program guidelines. Our Small Business clients who may be eligible for financial relief can now apply online. To be eligible, you must have a Small Business lending and Small Business checking relationship with Bank of America as of February 15, 2020 or a Small Business checking account opened no later than February 15, 2020 and do not have a business credit or borrowing relationship with another bank. After you have reviewed the complete Bank of America eligibility requirements below and have gathered the necessary documents, you can apply below.

- At Bank of America, the federal Paycheck Protection Program will be administered online only.
- Clients must have a Business Online Banking account. If you do not currently have an online account, you must enroll in Business Online Banking as soon as possible.
- It also may be helpful to gather the following business documents:
  - **2019 Payroll** – total payroll for full year 2019, by employee, as reported to the IRS
  - **2019 Independent Contractor Costs** – listing of 1099’s-MISC for 2019 independent contractors, by person, as reported to the IRS. (Note: Do NOT include 1099’s for services)
  - **Payroll report** – as of February 15, 2020 or closest date after that date, by employee”
PPP Borrower Application

- **General Note**: Individual SBA member banks may require use of their own form, which may differ from the standard SBA form. A key starting point when preparing the form will be identifying the relevant banking relationship and reviewing required documentation.

- **Certifications**: A variety of certifications must be made as part of the application, including that “*Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant.*” The SBA has waived the requirement that borrowers demonstrate that they are unable to acquire financing from other sources.

- **Compliance**: Applications/loans are subject to the Freedom of Information Act. Government and private parties are likely to be doing extensive auditing after the fact.
  - Lenders are absolved from having to ensure compliance. A bank accepting an application, approving or pre-approving a loan, etc., offers no protection to the applicant.
COVID Relief Coalition

Overview of Paycheck Protection Program

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Other Potential Sources of Relief
Other Potential Sources of Relief

- Economic Injury Disaster Loan Program
- Massachusetts COVID-19 Relief Fund
- Boston Resiliency Fund
- The United Way of Massachusetts Bay and Merrimack Valley COVID-19 Family Support Fund
- The Boston Foundation COVID-19 Response Fund
For additional information, please visit:

https://www.covidreliefcoalition.com