



Paycheck Protection Program Loans (PPP) FAQs As of April 3, 2020

Note that these FAQs are based on our present understanding of the PPP Program and the SBA's Interim Final Rule on PPP loans released on April 2, 2020 (available at <https://home.treasury.gov/system/files/136/PPP--IFRN%20FINAL.pdf>). It is possible that the SBA may make changes to the Interim Final Rule based on comments received from the public. SBA may also provide further guidance, if needed, through SBA notices and a program guide which will be posted on SBA's website at www.sba.gov. We continue to consult with our advisers and to make any changes in, or additions to the FAQs as appear warranted in light of available information and to circulate them as updated.

FREQUENTLY ASKED QUESTIONS:

What types of businesses and entities are eligible for a PPP loan?

- Businesses and entities must have been in operation on February 15, 2020.
- Small business concerns (fewer than 500 employees) and includes a 501(c)(3) nonprofit organization.
- No exclusion for organizations receiving Medicaid or religious organizations.

How is the loan size determined?

- Depending on your business's situation, the loan size will be calculated in different ways (see below). The maximum loan size is always \$10 million.
 - If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 2.5 times your average monthly payroll costs incurred during the 1 year period before the date on which the loan is made (see below for eligible payroll costs).
 - If your business employs seasonal workers, you can opt to choose 12-week period beginning February 15, 2019 or March 1, 2019 (decided by the loan recipient) and ending June 30, 2019.
 - If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 2.5 times your average monthly payroll costs between January 1, 2020 and February 29, 2020.

Is collateral or personal guarantee required?

- No, not for this type of SBA loan.

What costs are eligible for payroll?

- Any compensation under \$100,000 per employee (salary, wage, commission, or similar compensation, payment of cash tip or equivalent);
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for dismissal or separation (severance);
- Payment required for the provisions of group health care benefits, including insurance premiums;
- Payment of any retirement benefit; and
- Payment of State or local tax assessed on the compensation of employees.



- We suggest providing your lender with full and complete disclosure as to any unique payroll cost situations, such as, for example, the fact that you receive grants that cover all or a part of an employee's payroll costs.

What costs are not eligible for payroll?

- Any compensation of an individual employee over \$100,000;
- Taxes imposed or withheld under chapters 21 (FICA/payroll taxes), 22 (Railroad Retirement Act taxes), and 24 (income taxes withheld on wages) of the IRS code;
- Compensation of employees whose principal place of residence is outside of the U.S.; and
- Qualified sick and family leave for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act.

What is the period for making the loans?

- Loans will be made through June 30, 2020, but, because they will be made on a first-come, first-served basis, and because the amount available under the program is limited, you should apply for a loan as soon as possible.

What are allowable uses of loan proceeds?

- Payroll costs (i.e., employee salaries, commissions, or similar compensations) (see exclusions above), including costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums.
 - Note that at least 75% of the loan proceeds must be used for payroll costs.
- Payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation) incurred before February 15, 2020.
- Rent (including rent under a lease agreement) incurred before February 15, 2020.
- Utilities (under agreements dated before February 15, 2020).
- Interest on any other debt obligations that were incurred before February 15, 2020.

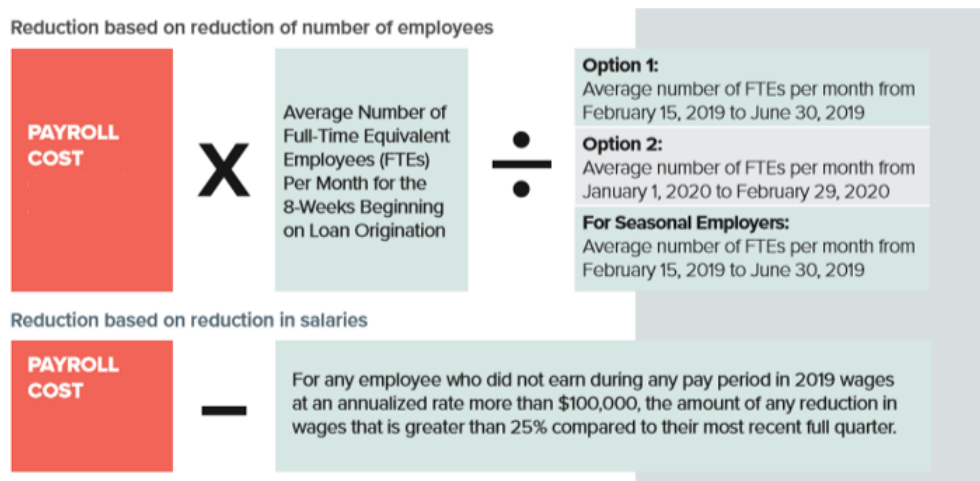
What is the loan term, interest rate, and fees?

- Loans must be repaid within 2 years at an interest rate of 1.00% (Despite the fact that the CARES Act set the maximum term at 10 years and the maximum interest rate at 4.00%).
- Zero loan fees, zero prepayment penalty or fee.
- SBA will establish a fee cap for lenders that charge a packaging fee.
- There will be no:
 - Up-front guarantee fee payable to SBA by the Borrower;
 - Lender's annual service fee ("on-going guaranty fee") payable to SBA;
 - Subsidy recoupment fee; or
 - Fee payable to SBA for any guarantee sold into the secondary market.

How is the forgiveness amount calculated?

- The principal amount of a loan may be forgiven in an amount equal to payroll costs, interest on covered mortgage obligations, covered rent payments, and covered utility payments during the 8-week period following the origination of the loan (the "covered period"), subject to a reduction in the amount of loan forgiveness as illustrated below.
- Loan forgiveness will be reduced if you use the loan amount for anything other than permitted expenses. Loan forgiveness will also be reduced if you do not maintain your staff and payroll.

- Number of Staff: Your loan forgiveness will be reduced if you decrease your full-time equivalent employee headcount.
- Level of Payroll: Your loan forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that earned less than \$100,000 annualized in 2019.
- Re-Hiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
- For loan forgiveness, at least 75% of the loan forgiveness amount must be attributable to payroll costs. SBA will issue additional guidance on loan forgiveness



How do I get forgiveness on my PPP loan?

- You must apply through your lender for forgiveness on your loan. In this application, you must include:
 - Documentation verifying the number of employees on payroll and pay rates, including IRS payroll tax filings and State income, payroll and unemployment insurance filings.
 - Documentation verifying payments on covered mortgage obligations, lease obligations, and utilities.
 - Certification from a representative of your business or organization that is authorized to certify that the documentation provided is true and that the amount that is being forgiven was used in accordance with the program's guidelines for use.
- Not more than 25% of loan forgiveness amount may be attributable to non-payroll costs.
- The SBA plans to issue additional guidance on loan forgiveness.

What happens after the forgiveness period?

- Any loan amounts not forgiven at the end of one year is carried forward as an ongoing loan.
- You will not have to make any payments for six months following the date of disbursement of the loan. Note that interest will continue to accrue on PPP loans during this six month deferment. The clock does not start again.



Can I get more than one PPP loan?

- No, an entity is limited to one PPP loan. Each loan will be registered under a Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

What kind of lender can I get a PPP loan from?

- All current SBA 7(a) lenders are automatically approved to make PPP loans.
- The following types of lenders are also automatically authorized (although they are not required) to make PPP loans (unless they are designated to be in Troubled Condition):
 - Federally insured depository institutions or federally insured credit unions;
 - Farm Credit System institutions (that meet a few additional requirements);
 - Depository or non-depository financing provider that meets several requirements laid out in the rule.
- Link to lenders by state: [SBA Lenders who have been given delegated authority to speedily process PPP Loans.](#)
- For guidance, you may call the Federation's external banking and finance advisor, Eddie Tuvin, 202-427-7700 or via email at smartlender@gmail.com.

How does the PPP loan coordinate with SBA's EIDL loans?

- If you received an SBA Economic Injury Disaster Loan Program (EIDL) loan from January 31, 2020 through April 3, 2020, you can apply for a PPP loan.
- If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan.
- If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan.
- Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

Who do I need to consult before deciding what Federal, State or local loans and grants I should consider:

- If you are considering this loan program or any other, please consult your banker immediately to discuss it. If you have other debt, you may have loan covenants that you need to comply with or get a waiver from your bank.
- Accounting/Auditing firm to assist with preparing the financial data requires and review loan covenants.
- Legal counsel to advise you on your submission.
- Governance documents to determine what approvals are required to take on additional debt.

How hard will the application be for this loan program:

- Because of the crisis, the SBA has vowed to make the process as streamlined as possible.
- Funding will be done as quickly as possible.

Earlier this week, we received a draft PPP Loan application. Is it final and when can we apply?

- The updated PPP Loan application was made available on April 2, 2020. It can be accessed at: <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>.
- If we receive additional information about when the PPP Loan application goes "live", we will let you know.
- Keep in contact with your bank/lender to understand timing.

The sample application asks for ownership information. How do we answer that since non-profits don't have owners?

- Barring any further guidance from the SBA, consider using “not applicable” as noted below.
- By definition, 501(c)(3) corporations do not have owners. The question in the form does not appear to be applicable to non-profit organizations. We will continue to monitor this issue and update this if we identify any guidance from the SBA or Treasury.

Applicant Ownership

List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN,SSN)	Address
Not applicable...non-profit				

We have full-time, part-time and intermittent employees. What is the headcount we should report?

- For purposes of calculating the maximum permitted loan amount, you do not need to calculate headcount. The maximum is based on payroll costs incurred during the 1-year period before the date on which the loan is made.
- Headcount is only used for calculating the potential *reduction* in loan forgiveness amount.
- The loan forgiveness amount is reduced by multiplying the loan forgiveness amount to which the employer is otherwise entitled by the fraction provided in the CARES Act as illustrated on page 3.
- In calculating that fraction, the average number of full-time equivalent employees is determined by calculating the average number of full-time equivalent employees during each payroll period falling within a month.
- SBA guidance indicates that a combination of employees, each of whom individually is not a full-time employee because he or she is not employed on average at least 30 hours per week, may in combination be counted as the equivalent of a full-time employee.
- It is not clear on the application how to calculate headcount. Consider completing the space on the PPP Application Form for “Number of Jobs” with the average number of full-time equivalent employees in respect of which the “Average Monthly Payroll” for the 1-year period was calculated. This is also part of the certifications (see below).

For the loan eligibility amount, we've heard that consultants/contractors can be included. If we outsource much of our accounting to an external firm, can we include that in the calculation?

- *No, independent contractors do not count for purposes of a borrower's PPP loan calculation (because these individuals and entities have the ability to apply for a PPP loan on their own).* Note: We believe the preceding answer in italics is reasonable, but it is not free from doubt. We are continuing to review the answer with our advisors and will provide an update when further guidance is available.



I have a question about whether some of our expenses are eligible for inclusion in the loan calculation, but I can't reach my bank. What should I do?

- Consider including the expenses, clearly identified and documented, in your application so that your bank can let you know when it reviews your application.

What are the certification requirements?

- Certification requirements include:
 - 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. **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.

Does accepting the PPP loan restrict or limit our ability as a religious institution to operate in a sectarian manner?

- Nothing in SBA nondiscrimination regulations apply to a religious corporation, association, educational institution or society with respect to the membership or the employment of individuals of a particular religion to perform work connected with the carrying on by such corporation, association, educational institution or society of its religious activities.
- SBA also intends to issue additional guidance with regard to religious liberty protections under the program.