What’s Available & How To Apply

April 6, 2020

Prepared & Presented by Inner City Law Center
Today’s Presentation

- Timeline / Overview / Eligibility
- How much can an organization borrow?
- What can the loan proceeds be used for?
- How much of the loan can be forgiven?
- What documents are required to apply?
- Q & A
Coronavirus Aid, Relief, & Economic Security Act

- Passed by Congress on March 27, 2020
- Includes Paycheck Protection Loan Program [PPP]
- Administered by the Treasury Department
- Emergency Small Business Loans (SBA 7(a) loans)
- Available through June 30, 2020, unless the money runs out first
- Interest rate for loan is 1.0%
- No personal guarantee or collateral is required
Timeline

1. Application
   Accepted 4/3/2020 through 6/30/2020

2. Approval
   Approval at Bank takes ~2-3 weeks, with an additional one week at SBA

3. Loan Origination
   Money received!

4. Spending Window
   Funds must be spent within 8 weeks from loan origination for loan to be forgiven

5. Request for Forgiveness
   ASAP once 8-week Spending Window is complete

6. Repayment Begins
   Six months after origination date or 12 months with extension
Paycheck Protection Loan Program: Eligibility

- Non-Profit Organizations are eligible if:
  - No more than 500 employees and
  - Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.

- You are ineligible for this funding if:
  - Current bankruptcy proceedings
  - Delinquent or defaulted SBA loans within the past 7 years

- You should seek counsel before seeking this funding if:
  - May have more than 500 employees (including affiliates)
  - Outstanding SBA loans
How Much Can An Organization Borrow?

- Loan amount can be up to 2.5 times the average monthly payroll cost during the most recent twelve months prior to the loan.
- Cannot exceed $10 million.
- The following should NOT be included in payroll calculations:
  - Independent contractor costs.
  - Compensation of an employee in excess of $100,000/year.
  - Federal employment taxes.
  - Compensation for employees principally residing outside the US.
  - Qualified sick and family leave wages for which a borrower receives a credit under 7001 and 7003 of the Families First Coronavirus Response Act (FFCRA).
Loan Amount Calculation Example

How Inner City Law Center calculated our loan amount:

• Sum Box 5 amounts for all employees for 2019.
• Subtract compensation paid to all employees in Q1 2019.
• Add compensation paid to all employees in Q1 2020.
• Reduce the amount for employee compensation over $100,000.
• Add ICLC payments for 401k and medical and dental insurance for the period from 4-1-19 to 3-31-20.
• Increase the amount for any new positions hired in the last year (new positions, not new employees) to their annual pay up to $100,000.
Loan proceeds can be used for four purposes:

- Payroll (including Healthcare Costs)
- Mortgage interest payments, or other interest on other debt obligations that were incurred before February 15, 2020
- Rent payments on leases dated before February 15, 2020
How Much of the Loan Can Be Forgiven?

- Think of this as a restricted grant agreement – do x, y and z and you get to keep the money – otherwise, you’ll need to pay some or all of it back.

- Loan forgiveness can be provided to the extent expenses in the four categories (payroll, mortgage, rent, and utilities) are incurred in the “8 weeks following the loan origination date.”

  - Not more than 25% of the loan forgiveness may be attributable to non-payroll costs.
  
  - The amount forgiven will be reduced proportionally if employee salaries are reduced by more than 25% or if the number of full time equivalent employees is reduced relative to an earlier period.
  
  - To the extent the loan is not forgiven, the remaining balance will have a maturity of 2 years and an interest rate of 1%.
Documents Needed for Application

- Application is administered by SBA approved lenders. Sample application from SBA is two pages.
- Required documentation will vary from lender to lender. ICLC’s bank requires:
  - Full Year 2019 and First Quarter 2020: Payroll Tax Reports, including IRS Forms 941
  - Full Year 2019 and First Quarter 2020: State Income and Unemployment Tax Filing Reports
  - Payroll Reports for each pay period in the last 12 months – *should include gross wages including PTO, vacation, sick, etc.*
  - Health Insurance Premiums paid by the Company for the last 12 months under a group health plan including owners; copies of monthly invoices are sufficient
  - Retirement Plan funding documentation for the last 12 months; copies of work papers, schedules and remittances to the plan administrator are sufficient
  - Entity documents: Articles of incorporation, bylaws, or operating agreement
  - Additional documentation may be required. (e.g. borrowing resolution form for first time borrowers.)
Follow-Up

• We have pro bono attorneys available to answer questions in the next few days.

• For any additional assistance please contact:
  
  • Vidhya Ragunathan, Director of Pro Bono at Inner City Law Center at vragunathan@innercitylaw.org
Questions & Answers