



# SBA EMERGENCY LOANS AVAILABLE TO NONPROFIT ORGANIZATIONS:

- 1) Economic Injury Disaster Loans (EIDL)
- 2) Paycheck Protection Program Loans (PPP)

The loans are meant to address the loss in sales and ability to operate along with the corresponding inability to pay employees, rent, and other costs of doing business due to the pandemic.

## SBA EMERGENCY LOANS

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, initially signed into law on March 27, 2020, allocates \$349 billion to help nonprofits and small businesses keep workers employed amid the current circumstances they are encountering. The CARES Act provides funding for the Paycheck Protection Program and modifies the existing Emergency Injury Disaster Loan (EIDL) program. The following is an overview of the key components and eligibility requirements of these programs:

### **Economic Injury Disaster Loan (EIDL)**

- Eligibility: Nonprofits with 500 employees or fewer.
- Up to \$2 million can be provided to help meet financial obligations and operating expenses that could have been met if the disaster did not occur.
- Loans can be made based solely on credit scores.
- The interest rate on EIDLs will be 2.75% for nonprofits.
- The first 12 payments will be deferred and not become due until one year after the original disbursement. Interest does accrue during this time.
- The term of these loans will be up to 30 years.

## Economic Injury Disaster Loan (EIDL) Advance

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- For those that apply for the Economic Injury Disaster Loan (EIDL), an advance of \$1,000 per employee (up to \$10,000) will be provided to nonprofits within several days of applying for the loan.
- The advance does not need to be repaid, even if the grantee is subsequently denied an EIDL.
- Funds can be used to provide paid sick leave to employees, maintain payroll, meet increased production costs due to supply chain disruptions, or pay business obligations, including debts, rent and mortgage payments.
- Eligibility: Advances are available to small businesses (including nonprofits), sole proprietors, independent contractors, tribal businesses, as well as cooperatives and employee-owned businesses in operation on January 31, 2020.

## PPP (Paycheck Protection Program)

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- Emergency loan program for nonprofits and for-profit entities to secure funds to pay staff and operating costs for two months and secure full loan forgiveness under certain circumstances.
- The lesser of \$10 million or 2.5 times the average total monthly payroll costs from the one-year period (look back) prior to the date of application. Express 7(a) loans available up to \$1 million (interest capped at 4%).
- Must have been in operation on 2/15/2020 and had paid employees and/or paid independent contractors. Expressly available for charitable nonprofits with 500 or fewer employees, but requires that employees of affiliated nonprofits may be counted toward the 500-employee cap, depending on the degree of control of the parent.
- Eligibility: 500 or fewer employees
- 1.0% interest rate; first 6 months of payments (principal and interest) automatically deferred. Maximum of 2 years.
- Employers that maintain employment for the 8 weeks after origination of loan, or rehire employees by June 30, will have loans forgiven in whole or part, essentially turning the loan into a grant.
- Good-faith certification that the need for the loan is based on economic conditions; funds to be used to retain workers and maintain payroll or make mortgage, lease, and utility payments; and no duplicate application or receipt of funds for same purposes.
- Uses: Payroll costs, mortgage interest payments, rent, utilities, and interest on prior debt during the 8-week period following loan origination.
- Size of loans: Up to \$10 million. Loan amount is based on recent payroll costs, compensation paid to individuals, including the self-employed. Compensation in excess of \$100,000 a year to any individual is excluded.
- Loans may be forgiven, up to an amount equaling eligible payroll, mortgage interest, rent and utility cost, incurred during the 8-week period starting from loan origination. Compensation in excess of \$100,000 a year to any individual will not qualify for forgiveness. The amount of forgiveness, up to 100%, depends on the extent to which the organizations retains employees through 6/20.

## ➔ Comparison

OVERVIEW	EIDL	EIDL ADVANCE	PPP
<b>Lender</b>	SBA (To apply, visit <a href="https://www.sba.gov">SBA.gov</a> )	SBA (To apply, visit <a href="https://www.sba.gov">SBA.gov</a> )	SBA 7(a) Approved Lender
<b>Maximum Loan Amount</b>	\$2M	Advance of up to \$10,000	2.5x average monthly payroll costs capped at \$100K per employee, maximum of \$10M per borrower
<b>Application Deadline</b>	December 31, 2020	December 31, 2020	June 30, 2020
<b>Eligible Borrowers</b>	Nonprofits that have been in operation since January 31, 2020	Nonprofits with <500 employees Sole proprietorship (with or without employees or as independent contractors) Cooperative of 500 or fewer employees	Nonprofits with <500 employees
<b>Use of Proceeds*</b>	<ul style="list-style-type: none"> <li>- Payroll</li> <li>- Rent</li> <li>- Utilities</li> <li>- Interest on debt occurred</li> <li>- Accounts payable</li> <li>- Some bills that could have been paid had the disaster not occurred</li> </ul>	<ul style="list-style-type: none"> <li>- Payroll</li> <li>- Rent</li> <li>- Utilities</li> <li>- Interest on debt occurred</li> <li>- Accounts payable</li> <li>- Some bills that could have been paid had the disaster not occurred</li> </ul>	<ul style="list-style-type: none"> <li>- Payroll</li> <li>- Interest on mortgage payments (principal or prepayments excluded)</li> <li>- Rent</li> <li>- Utilities</li> <li>- Interest on any debt incurred prior to Feb. 15, 2020</li> </ul>
<b>Collateral</b>	No collateral required	N/A	Waived
<b>Personal Guarantee</b>	No personal guarantee required	N/A	Waived
<b>Affiliation</b>	Applicable	Waived	Applicable
<b>No Credit Elsewhere</b>			
<b>Forgiveable</b>	No	Yes, treated as a grant	<b>Yes, up to 100%.</b> Forgiveness of indebtedness of an amount equal to the sum of the qualified costs incurred and payments made during the covered period (8-week period following loan origination). Forgiveness portion may be reduced by a reduction in retained employees or reduction in pay of retained employees.
<b>Interest</b>	2.75% for nonprofit (3.75% for for-profit)	N/A	1% interest, 2-year repayment for anything that isn't forgiven.
<b>Term</b>	Up to 30 Years	N/A	Up to 10 years for non-forgiven portion Currently 2 years
<b>Prepayment Penalty</b>	None	N/A	None

\* You may apply for both the Economic Injury Disaster Loan and the Paycheck Protection Program. However, advances or loan proceeds cannot be used for the same purpose during the same time period.

## ➔ Additional Information

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### **SECTIONS 2204 and 2205: Expansion of Charitable Contribution Deductions**

To encourage charitable giving, the Act expands the benefit of the charitable deduction for certain “qualified” contributions.

Under the CARES Act, if taxpayers give to qualifying 501(c)(3) charities in 2020, they can deduct \$300 of those donations on the 2020 tax return to reduce their taxable income. This will apply to anyone who files a 1040 tax return and gives to charity, regardless of whether they take the standard or itemized deduction.

### **SECTIONS 2102-2104: Expansion of Unemployment**

Section 2102 of the CARES Act extends benefits to workers who would not otherwise be eligible for unemployment compensation or extended benefits through regular state or federal programs in the event that they become unemployed, partially unemployed or unable to work for one of the reasons discussed below.

Workers must have experienced a job loss or reduced hours through no fault of their own, not be able to telework, and be able and available to work (as defined under existing state law) but for the fact that a specific COVID-19-related reason has caused them to be unable to work.

Pandemic Unemployment Assistance, or PUA, is the program that will provide unemployment benefits to those not ordinarily eligible for them. This includes individuals who are self-employed, gig workers, 1099 independent contractors, employees of churches, employees of nonprofits or those with limited work history who will not qualify for state unemployment benefits.

The Federal Pandemic Unemployment Compensation program, or FPUC, provides a \$600 supplement per week to any individual eligible for any of the Unemployment Compensation programs – State and Federal. Those who receive this benefit and were receiving UI benefits at that time will get benefits back to April 4, 2020.

The Pandemic Emergency Unemployment Compensation program, or PEUC, allows for up to an additional 13 weeks of benefits added to the end of regular unemployment benefits. This means claimants may collect unemployment benefits for a longer period of time than under normal circumstances.

You can greatly expedite the process of your employees collecting unemployment payments by submitting a partial claim on their behalf. If you think you can/will continue to keep your employees on staff through the COVID-19 emergency, you can take advantage of the Payroll Protection Program.

Resource on filing as a Georgia employer: <https://dol.georgia.gov/blog/new-information-filing-unemployment-partial-claims-and-reemployment-services>

## ➔ Next Steps

- Review your options as listed in this document.
- Remember, nonprofits can apply for both loans, but funds from each loan can't be used for the same expenses such as payroll, rent, insurance, etc.
- Gather documentation needed to apply for CARES Act assistance:
  - Documentation of weekly payroll and benefits expenses, including payroll taxes.
  - Documentation of payroll headcount (number of full-time and part-time employees)
  - Documentation of increased material costs.
  - Documentation of rent or mortgage payments.
  - Documentation of other obligations that cannot be met because of revenue losses due to COVID-19.
  - Q1 2020 statement of activities (income statement). This statement must include all subsidiaries.
  - Documentation that your nonprofit was ordered to fully or partially suspend operations in Q1 2020 because of orders from a government authority limiting commerce, travel, or group meetings due to COVID-19 (This could be an executive order from a governor, county executive or mayor).
  - Your charitable determination letter from the IRS (e.g. 501(c)(3), 501(c)(4), 501(c)(19), 501(c)(6). Please note 501(c)(4) and 501(c)(6) organizations are treated differently under the CARES Act.
  - Documentation of state incorporation (Secretary of State filing).
  - Most recent year IRS form 990.  
*Source: <https://tinyurl.com/ya9xqrwl>*
- To check the status of EIDL application, email [answerdesk@sba.gov](mailto:answerdesk@sba.gov) or visit [SBA.gov](http://SBA.gov). For PPP loan application status, contact your SBA approved lender.
- Do you need access to additional information regarding how your organization can prepare for this opportunity and more?

Call the J.W. Fanning Institute at (706) 363-0926 or send an email to [info@fanning.uga.edu](mailto:info@fanning.uga.edu).



J.W. Fanning Institute  
for Leadership Development  
UNIVERSITY OF GEORGIA

## ABOUT THE J.W. FANNING INSTITUTE

The J.W. Fanning Institute for Leadership Development, a unit of Public Service and Outreach at the University of Georgia, is dedicated to strengthening communities, organizations, and individuals through leadership development, training, and education.

We strive to provide nonprofit leaders with information that enhances organizational decision making.

[www.fanning.uga.edu](http://www.fanning.uga.edu)



Small Business  
Development Center  
UNIVERSITY OF GEORGIA

## ABOUT THE UGA SBDC

The UGA Small Business Development Center (SBDC) provides tools, training and resources to help small businesses grow and succeed.

Designated as one of Georgia's top providers of small business assistance, the UGA SBDC has 17 offices to serve the needs of Georgia's business community.

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