



LATEST ON FEDERAL COVID19 LOANS FOR NONPROFITS

Updated April 1, 2020

While the nonprofit sector is waiting for the U.S. Small Business Administration (“SBA”) to issue regulations and open up the application process for Payroll Protection Program (“PPP”) loans, banks have been hustling to finalize their procedures for the application process. It is expected that **lenders will be able to begin accepting PPP loan applications as early as this Friday, April 3, 2020**, so get ready and get set... and remember: this is a first-come, first-served program, so you need to act quickly.

If you think your nonprofit might need funding to cover eligible expenses (e.g., payroll, utilities, operating expenses), make sure it qualifies for the specific loan (see [here](#) and the [SBA website](#) for more on eligibility).

HERE ARE FIVE THINGS you can do for your nonprofit organization today to better position your organization for this funding opportunity:

1) Reach out and identify your lender:

Consult with your local lender to ask whether it is participating in SBA’s PPP program and find out how you can get started the application process. You can apply for a PPP loan through any existing SBA lender or through any federally insured depository institution, federally insured credit union, or Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program.

It appears that SBA’s online Lender Match tool is no longer posted, as it was a few days ago, at <https://www.sba.gov/funding-programs/loans/lender-match>, it may still be in development or overwhelmed by applicants, so check back with the SBA site for updates. A huge shout out from Cheshire Law Group to all at the SBA and their IT team for getting this program rolled out and communicated so quickly!)

2) Get your documents together:

Make sure you have your organization’s EIN, tax returns, 2019 and Q1 2020 financial statements, and the following documents at the ready (other documents may be needed and all of these may not be needed, but best to collect them just in case):

- 2019 Quarterly IRS Forms 940, 941 and 944 payroll tax reports
- Last 12 months of payroll reports beginning with your last payroll date in 2020 and going backwards 12 months. Payroll reports should show the following for the time period above:



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- Gross wages for each employee, including any officer(s) if paid W-2 wages
 - Paid time off for each employee (or sick/vacation/personal time if tracked separately)
 - Family medical leave pay for each employee
 - State and local taxes assessed on the employee's compensation for each employee
- 2019 IRS Forms 1099 for independent contractors paid by your organization
 - Documentation showing total of all health insurance premiums paid under a group health plan (include all employees)
 - Document the sum of all retirement plan funding (401K plans, Simple IRA, SEP IRAs) that was paid to all employees (except for funding that came out of employee paycheck deferrals)

3) Review application materials to familiarize yourself with the terms, processes, and check out the Treasury and SBA websites for other available resources and funding:

Review the newly released PPP application (sample form) and supplemental information available on the Department of Treasury's website: <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses> and on the SBA's website: <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>

4) Apply for an EIDL (and for the \$10K Advance on the EIDL) if you haven't already:

Economic Injury Disaster Loan ("EIDLs") loans are available through an application on the SBA website (not through banks). When you complete the new streamlined application, you can apply for a \$10K Advance, which will be forgiven (so it's more like a grant), even if your organization is not approved for an EIDL. Fill out the streamlined application and check the box to apply for the \$10K Advance: <https://covid19relief.sba.gov/#/>.

The new streamlined EIDL application is super short and it doesn't ask for much other than some basic information. It's not as lengthy as the full-length EIDL form and does not require documentation like the longer EIDL form. Instead, it asks for certifications and it asks if your organization wants to be considered for the \$10K Advance. *Be warned:* It will ask for your organization's bank account number and routing number and, because it's a form tailored for for-profit corporations, it is problematic in some respects for nonprofits (e.g., it requests a social security number and doesn't have drop downs to describe business functions that are tailored for nonprofits). Just do your best with that.



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If your organization already completed an EIDL application (full-length) you should not have to go through the entire full-length EIDL application process again (but no promises, and more information may be requested), but you should still complete the streamlined application. Completing the streamlined form will not negate your organization's earlier application. It appears that the streamlined application is just meant to offer a means to apply for the \$10K Advance and to manage any new incoming EIDL applications and to make sure existing EIDL applicants (organizations that already filed the full-length form before the passage of the CARES Act), have a way to apply for the \$10K Advance.

The SBA sent this email to pre-CARES Act EIDL applicants, explaining:

If you wish to apply for the Advance on your EIDL, please visit www.SBA.gov/Disaster as soon as possible to fill out a new, streamlined application. In order to qualify for the Advance, you need to submit this new application even if you previously submitted an EIDL application. Applying for the Advance will not impact the status or slow your existing application.

5) Stay tuned for developments and read the fine print.

Things are happening fast. As you proceed with exploring all lending opportunities, read the fine print of the loan agreements when it comes to committing and know that we can help you through this process.

You're doing great, you've got this, and we are here for you!

Cheshire Law Group is a law firm exclusively serving the legal needs of the nonprofit sector. Please remember that this is simply a summary of the law and it does not capture all aspects of the law that may apply to your organization's situation (for better or for worse), nor does it constitute legal or business advice.

The spread of coronavirus presents many issues for nonprofits especially, and we are available to provide guidance on any challenges or implications your nonprofit organization may be facing. For information, advice, and issues, please contact our office's main number at 267-331-4157 or email us at info@cheshirenonprofitlaw.com.

Thank you, be prudent, stay calm and kind, and take good care.