Q. If I submitted a Paycheck Protection Program loan application previously and did not receive funding, do I need to apply again now that the new legislation has passed?

A. Yes, you should act quickly. The new Paycheck Protection Program and Health Care Enhancement Act, signed into law on April 24, allocates an additional $310 billion in funding for the Paycheck Protection Program. The initial $349 billion in funding was exhausted the week of April 20. If you applied for a PPP loan but did not receive a loan before the funds were exhausted, we urge you to contact your financial institution immediately to determine the best way to move forward. Similarly, if you have not yet applied for a PPP loan, but would like to apply this round, contact your financial institution to get the process going.

Q. If I received a loan previously, am I eligible to apply again under the new bill?

A. No, if you received a PPP loan under the initial Coronavirus Aid, Relief, and Economic Security Act you are not eligible to apply for another one.

Q. I have concerns about whether my lending institution can handle the loan process expeditiously. Can I apply simultaneously through another lender?

A. Yes, you should feel free to contact another lending institution to apply for funds. If you do receive a loan through one of the financial institutions, you must alert the other institution immediately so they do not continue to process your application.

Please note that it is our understanding that working with a large bank does not guarantee success. Some of the nation’s largest lending institutions were overwhelmed with demand over the last few weeks. Moreover, the new legislation specifically creates set asides for insured depository institutions, credit unions and community financial institutions.

Q. Do I need to submit my driver’s license and/or social security card when applying for a loan?

A. We do not believe so. Some financial institutions initially asked applicants to submit a driver’s license and/or social security card, but according to the National Council of Nonprofits, you should now be able to apply with your Employer Identification Number.

Q. Can I apply for both an Emergency Economic Injury Disaster Loan Grant and a Paycheck Protection Program loan?

A. Yes, you can apply for both. Note that if both applications are successful, and funds from both are used for payroll costs, the government will deduct the amount of the Emergency EIDL Grant from your PPP loan forgiveness.
**Q. If my organization has significant reserves can we apply for a PPP loan? Should we?**

A. An application should be thoughtfully considered. PPP loans are intended to provide economic relief to small businesses and nonprofits adversely impacted by the President’s COVID-19 Emergency Declaration. If you believe your organization meets this standard, you are eligible to apply for a loan. At the same time, the PPP guidance indicates that a borrower must “assess” their economic need for a loan, including access to other sources of liquidity to support ongoing operations without harming the business. If a loan is not “necessary,” they are not eligible to apply.

On April 23, 2020, the Small Business Administration (SBA) issued additional granting amnesty to businesses that received PPP loans prior issuance of this new guidance to repay the loans in full by May 7, 2020. This is targeted at business that may have applied for these funds without fully considering their financial liquidity.

**Q. What if I use most of my PPP loan for things other than payroll expenses, such as rent and utilities?**

A. You may use PPP loan funds for expenses beyond payroll expenses including mortgage, rent and utilities. However, the SBA’s guidance states that if you are seeking forgiveness of the loan, 75% of your loan must be used for the purposes of payroll.

**Q. What counts as payroll expenses?**

A. Costs associated with compensation to employees including salary, wages and commissions up to $100,000 annually; cash tips or equivalent; payment for vacation or for parental, family, medical or sick leave; employee benefits such as group health care coverage, insurance premiums and retirement; and state and local taxes assessed on employee compensation all count as payroll expenses.

**Q. How do I apply for PPP loan forgiveness?**

A. The SBA has not yet released guidance on loan forgiveness, but it has said that requests for forgiveness should be submitted to the lender that is servicing the loan. The SBA Interim Final Rule notes that requests for forgiveness will require certification that not more than 25% of the forgiven amount be used for non-payroll costs. Payroll costs include full-time equivalent employee salaries and related benefits. Lenders will make decisions on forgiveness within 60 days of request.

Additionally, the amount of eligible forgiveness is reduced if an employer has fewer employees or less payroll than at the same time in the previous year. Exact application of this rule will not be fully clear until the government releases more guidance.

**Q. Is there a time limit on requesting PPP loan forgiveness?**

A. There is no time limit included in the CARES Act or Interim Final Rule, we are waiting for additional SBA guidance.
Q. If all or part of my loan is not forgiven, when will I need to start making payments? What is the interest rate?

A. While the interest will begin to accrue from the date you receive your loan, loan payments are deferred for six months from that. PPP loans have a 1.00% fixed rate. Loans must be paid in full within two years.

Q. What if my calculations were off and I received more money than I should have?

A. In this case, track the PPP funds carefully and return any unused funds. There are no prepayment penalties or fees; however, interest will still accrue on any portion you borrowed.

Q. How do I calculate the appropriate loan amount if my staff numbers are variable by season?

A. The CARES Act says you should make this calculation using “the average total monthly payments by the applicant for payroll costs incurred during the 1-year period before the date on which the loan is made, except that, in the case of an applicant that is seasonal employer, as determined by the Administrator, the average total monthly payments for payroll shall be for the 12-week period beginning February 15, 2019, or at the election of the eligible recipient, March 1, 2019, and ending June 30, 2019.”

On April 27, 2020, the SBA and the Treasury Department issued an Interim Final Rule to address concerns raised by nonprofits and businesses that rely on summer seasonal employees. The IFR will allow seasonal employers to use any consecutive 12-week period between May 1, 2019, and September 15, 2019, to determine its maximum loan amount.

Q. Can I use the PPP funds for severance packages?

A. The PPP statutory language does include allowances for dismissal or separation as an eligible payroll expense.

Q. Can I use PPP funds to cover the costs of any employee, even if that employee is funded through a grant?

A. Because the CARES Act is silent on this topic, we recommend you talk with your tax or legal counsel for guidance.

Q. If I reduce staff salaries, does that impact our PPP loan?

A. The SBA guidance for the PPP program says that loan forgiveness will be reduced if you decrease salaries and wages by more than 25% for any employee that made under $100,000 in 2019.

Q. Must we spend the PPP funds over the course of the next eight weeks?

A. PPP forgiveness will be for eligible expenditures over the eight weeks after receiving the funds.
As always, consult with your own legal, financial and/or tax counsel in determining specifically how any regulations apply to your organization.