Paycheck Protection Program – What Nonprofits Need to Know

The $2 trillion federal stimulus bill – known as the CARES Act – included $349 billion for job retention and operating expenses for nonprofits and small businesses in the Paycheck Protection Program (PPP).

As part of our “Too Local To Fail” effort, we want to help Minnesota nonprofits & small businesses be ready to apply for these funds. Here’s information about the program.

**What is the Paycheck Protection Program?**
The Paycheck Protection Program is designed to provide a direct incentive for nonprofits and small businesses to keep their workers on payroll by providing qualifying organizations a loan of up to $10 million for payroll and certain other expenses. Up to 100% of the loan is forgivable if conditions are met.

**Who is eligible?**
Businesses – including eligible nonprofits, Veterans organizations, Tribal entities, sole proprietorships, self-employed individuals, and independent contractors described in the Small Business Act – with 500 or fewer employees may apply.

Nonprofits are defined as tax-exempt organizations described in Internal Revenue Code (IRC) Section 501(c)(3) and tax-exempt veterans organizations described in IRC Section 501(c)(19). 501(c)(3) and 501(c)(19) organizations are subject to the SBA’s “affiliation” rules in determining size, meaning that the organization must take into account the number of its own employees as well as any related organizations, whether nonprofit or for-profit.

**How much money can my nonprofit receive through the new loan program?**
The maximum size of a PPP loan is 2.5 times your average monthly payroll costs over the last 12 months, or $10 million, whichever is less.

**What time period is covered by Paycheck Protection Program loans?**
The new loans apply to costs incurred retroactive to Feb. 15 through June 30.

**How will the loan forgiveness work?**
The PPP loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. At least 75% of the forgiven amount must have been used for payroll. The amount of loan forgiveness includes payroll costs for individuals below $100,000 in annual income, mortgage and rent obligations, including interest and utility payments. Eligibility for loan forgiveness starts eight weeks after the loan origination date. There is a maximum 10-year maturity after application for loan forgiveness.

**What’s the interest rate?**
The interest rate for PPP loans is currently 0.5%. The maximum interest rate is 4%.

**Where do I apply?**
The Small Business Administration has a network of 1,800 approved lenders that process small business loans. If you are interested in a Paycheck Protection Program loan, you should contact your bank to see if it is an SBA-approved lender.