

March 31, 2020

## PRESIDENTS' NETWORK



Dear Colleagues:

You are receiving this message because our research of federal data sources tells us you have fewer than 500 employees which may make you eligible for loans under the Small Business Administration's (SBA) Paycheck Protection Program established by the CARES Act. Initial [guidance was just issued this afternoon](#) by the U.S. Department of the Treasury. Unfortunately, with the inclusion of part-time and student workers, many of you may not qualify for this loan opportunity. However if your count of employees still numbers 500 or fewer, please read on.

Based on our understanding of the guidance, we are issuing this message to NAICU members to answer the most Frequently Asked Questions we are receiving from across the country about the loan program and eligibility requirements. NAICU will update this information as further details are made available.

### **What is the Paycheck Protection Program?**

The CARES Act allocated \$350 billion to help small businesses during the COVID-19 pandemic. Specifically, the Act established the Paycheck Protection Program to help small businesses, including nonprofit colleges and universities, retain employees and sustain operations during these challenging months. The Program provides loans that turn into grants for entities that keep the same level of employees, within 25 percent of the same pay level for employees earning under \$100,000, after funds are received. For those entities that have already laid off workers or cut salaries, rehiring and pay restoration is allowed.

### **Who is eligible for relief under the Paycheck Protection Program?**

Any private, nonprofit college or university with fewer than 500 employees, including part-time and student workers.

### **What can the loans be used for?**

Loans can be used for a wide variety of purposes, including: payroll costs; payments for vacation, parental, family, medical, or sick leave; severance payments; payments required for group healthcare benefits, including insurance premiums; and retirement benefits. Loans can also be used to pay local, state, and employment taxes, interest payments on any mortgage obligations or other debts incurred, and rent and utilities.

The loans cannot be used for compensation of individual employees, contractors, or sole proprietors in excess of an annual salary of \$100,000.

### **Under what conditions does the loan become a grant?**

The loan amounts will be forgiven as long as the loan proceeds are used to cover payroll costs, and most mortgage interest, rent, and utility costs over the 8-week period after the loan is made. Employee and compensation levels must also be maintained. It is anticipated that to receive full forgiveness you must use 75% of the funds for payroll costs. The amount of forgiveness may be reduced, however, if your institution cuts the number of employees as compared to the prior year, or if you reduce the pay of employees making less than \$100,000 by more than 25% as of last calendar year.

Organizations that rehire employees previously laid off as a result of the COVID-19 crisis will not be penalized for having a reduced payroll for the beginning of the relevant period.

If you do not meet all of the employment targets then your forgiveness will be prorated.

### **Are there any other limitations on participating in the Paycheck Protection Program?**

Eligibility for the Program is on a first-come, first-served basis. When the funds allocated for the Program are exhausted, the Program will be terminated. Small businesses cannot use this Program and the [employee retention tax credit simultaneously](#).

### **How do I apply?**

Applications open on April 3, 2020 and can be [found here](#). NAICU members who are interested in securing funds through this program should immediately contact their bank to see if it is one of the 1,800 approved SBA lenders. Also, any federally insured depository institution, federally insured credit union, and Farm Credit System institution may be participating. If your community bank is not approved, the [SBA has an online tool](#) that will match you with a lender.

### **How much can I borrow?**

Colleges may borrow the lesser of \$10 million or 2 times plus 25% of the average total monthly payroll costs from the prior year (with some exclusions including salaries for anyone making more than \$100,000 per year).

### **What other loans are available?**

- **Small Business Administration:** Colleges and universities are eligible for a number of other loan programs from the SBA, including [Economic Injury Disaster Loans](#).
- **Mid-Size Business Loan Program:** The CARES Act also instructs the Treasury Secretary, through the Federal Reserve, to ensure that nonprofit organizations and businesses between 500 and 10,000 employees have access to a specific loan facility with loans not higher than two percent per year and no payments due for the first six months. In order to qualify, the eligible borrower must self-certify, among other things, that the loan is necessary to support the borrower's ongoing operations, and that the borrower will retain 90% of its workforce until September 30, 2020. Additional details are not yet available.

### **Where can I find more information?**

For further information visit [www.SBA.gov](http://www.SBA.gov). NAICU is also posting daily updates to its dedicated [Coronavirus Disease Resources webpage](#).

NAICU is working to determine if there is interest in participating in a members-only webinar to provide further details on the parameters of the SBA Paycheck Protection Program. If you are interested in NAICU hosting such a webinar, please email [president@naicu.edu](mailto:president@naicu.edu). If there is enough interest, we will be happy to host this information session.

I know these are uncertain times and you have many questions about policy and regulatory relief for your students and campus. NAICU will continue to keep you updated on activities and guidance related to the CARES Act as it is released.

Regards,

Barbara

**Barbara K. Mistick, D.M.**

President

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