

The CARES Act: Key Loan and Grant Programs for Nonprofit Organizations

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) into law. The Coronavirus Aid, Relief, and Economic Security (CARES) Act expands nonprofits’ access to critical federal loan and grant programs as part of its approximately \$2 trillion aid package addressing the COVID-19 economic fallout. The Small Business Administration (SBA) will run multiple programs that broaden access to loans—some of which are partially forgivable—and provide emergency cash grants:

- Paycheck Protection Program loans (PPP loans) to support smaller-size nonprofits and veterans’ organizations in making payroll and other essential payments during the COVID-19 crisis
- Economic Injury Disaster Loans (EIDLs) up to \$2 million, and emergency cash grants up to \$10,000 for private nonprofit organizations

PPP Loans

PPP loans expand the SBA’s current loan and guarantee program through the following changes:

- Simpler borrower eligibility criteria
- Increased maximum dollar amount of 7(a) loans
- Broader permissible uses of loan proceeds
- Waiver or reduction of SBA fees
- Partial loan forgiveness and repayment deferral for 6-12 month

PPP loans are made by approved SBA-certified lenders (e.g., eligible banks), and will be available through June 30, 2020. The federal government also will guarantee 100% of PPP loans made by SBA-certified lenders through June 30, 2020.

Eligibility: PPP loans are available to nonprofit organizations with not more than 500 employees (which includes individuals employed on a full-time, part-time, or other basis). PPP loans do not test creditworthiness or repayment ability. Instead, qualifying nonprofits must have been in operation on February 15, 2020, and have employees for whom the nonprofit paid salaries and payroll taxes. Eligible borrowers must certify that (1) the uncertainty of current economic conditions makes the loan request necessary to support its ongoing operations, (2) the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments, and (3) they are not receiving duplicative funds for the same uses under another SBA program.

Economic Injury Disaster Loan and Grant Program

The CARES Act expands the SBA’s existing Economic Injury Disaster Loan (EIDL) program, which provides loans and grants to eligible entities including private nonprofit organizations (other than certain religious or political organizations).

- **Loans:** The EIDL program provides loans of up to \$2 million to eligible entities that suffer substantial injury as a result of the COVID-19 pandemic. Interest rates for EIDLs are low, and there are no upfront charges or prepayment penalties. Personal guaranties for loans up to \$200,000

are waived from January 31, 2020, through December 31, 2020, however, the SBA may require the applicant to pledge collateral for loans greater than \$25,000. The SBA, however, will not decline a loan if the applicant lacks collateral so long as the SBA can be reasonably sure that the loan can be repaid. The size and term of the loans (up to 30 years) are determined on a case-by-case basis.

- **Emergency Grants:** In addition, private nonprofit organizations may apply for EIDL emergency grants of up to \$10,000, which the SBA intends to disburse in as few as three days after receiving a qualified application. Unlike the loans, these grants do not have to be repaid. EIDL emergency grants may be used for numerous purposes, described below.

Eligibility: All private nonprofit organizations that have been in operation since January 31, 2020, and that have suffered substantial economic injury from COVID-19, are eligible for loans and grants under the EIDL program. Private nonprofit organizations include tax-exempt organizations under 501(c), (d), and (e) of the Internal Revenue Code and nonprofits under state law. Certain eligibility requirements are waived from now until December 31, 2020, including, for example, that organizations be in operation for a year and show they could not obtain funds from elsewhere.

Moose International ADVICE:

The qualifications for eligibility for these programs are a moving target. Lodges **MAY** qualify for one or more of these loan and grant programs, each of which will likely face significant immediate demand.

Many reputable law firms have advised that certain nonprofits are ineligible for the Paycheck Protection Program loans because they are organized under other sections of the Code, like social welfare organizations (501(c)(4)) or trade associations (501(c)(6)). This guidance indicates that under the current guidelines from the US Treasury Department and the SBA, Lodges incorporated under section 501(c)(8) are ineligible. Those entities, along with many other types of entities, however, may apply for emergency financial relief in a separate section of the CARES Act providing emergency Economic Injury Disaster Loans (EIDLs).

It is recommended that you:

- 1. Speak directly to your Lodge's bank for clear determination of PPP loan eligibility;**
- 2. Consider immediately filling out an online application for an EIDL emergency grant;**
- 3. Continually review Moose International communications for information on additional relevant programs that may be developed in the wake of this pandemic.**

https://www.sba.gov/sites/default/files/articles/EIDL_Information_and_Documentation_-_3-30-2020_FINAL_2_pm.pdf