

Guidance from Linchpin Strategies Re: SBA guaranteed loans:

Important information for any small non-profit or small business that is interested in taking out one of the SBA-guaranteed loans that was created in the CARES Act (coronavirus #3) - called the Paycheck Protection Program, or PPP - that allows forgiveness of loan funds used to pay salaries of staff making less than \$100,000 per year, rent, mortgage, utilities etc:

It is estimated that 39 million entities are eligible for the PPP. If your organization is eligible and interested, it is important to move quickly. It is expected that these loans will be oversubscribed, and loans will be granted on a first-come, first-served basis.

These loans do NOT go through the SBA. Do NOT apply to the SBA for one of these loans. (Other loans, including SBA disaster loans, DO go through the SBA.)

The PPP loans created in the CARES Act go through banks and credit unions that participate in what is known as the 7(a) program. The SBA guarantees the loan, and will pay the bank for the portion of the loan that you convert to a grant when it is used for mortgage, utilities, salaries, etc. If you are interested in a PPP loan, contact your financial institution and ask if they participate in the 7(a) program. If your financial institution does not participate, ask if they have a relationship with a bank or credit union that does. As a last resort, you can go to the SBA website and look up a list of participating financial institutions. Relationships are important in banking, and you are more likely to be approved by a lender who knows you, your organization, and your banking history.

I strongly recommend pulling together the financial information needed to apply for a loan as quickly as possible. This information would include your 2019 IRS forms (tax return or 990) if it has been completed; 2018 forms if you have not filed for 2019, and complete end-of-year 2019 income, expense and asset statements if you are submitting the 2018 return. The Small Business Administration is developing guidance to banks now regarding how the PPP will work; that guidance is expected to be released by the SBA to banks on or before Friday, April 3. Your bank or financial institution will likely have more information by the end of the week, but we do not advise waiting until then to contact your bank and pull your information together.

Note: for other types of loans that the SBA does administer, the SBA has become completely overwhelmed in the last couple of weeks. It is no longer possible to submit applications for SBA loans on-line. Applications now have to be printed out, completed, and faxed in to the SBA.



Catriona Macdonald
President

866-443-0998 main
202-345-3334 mobile

639 Massachusetts Ave, NE
Washington, D.C. 20002

GOVERNMENT RELATIONS
POLICY CONSULTING
STRATEGIC ADVISORY SERVICES