COVID-19 Relief Loans for Businesses and Nonprofits: Frequently Asked Questions

The Denver Metro Chamber of Commerce and the Denver Metro Small Business Development Center are committed to providing the relevant resources for Colorado businesses and nonprofits as Colorado and communities around the world respond to COVID-19.

Below you will find frequently asked questions we have received related to relief loans. We encourage you to review all of our resources available at denverchamber.org/covid or at denversbdc.org. Have a more specific question? Please contact us at info@denverchamber.org.

1. What is the Payroll Protection Program (PPP) loan?

The program provides cash-flow assistance to affected employers who maintain their payroll during this crisis. If employers maintain their payroll, the loans will be forgiven, which will help workers remain employed, as well as help affected organizations and our economy snap-back quicker after this crisis.

Organizations will be able to apply if they were affected between Feb. 15, 2020, and June 30, 2020.

Watch our webinar on PPP loans, or jump down to more specific questions about PPP. See the overall process here. Start your application here.

2. What are Economic Injury Disaster Loans?

Economic Injury Disaster Loans (EIDL) are low-interest loans available from the U.S. Small Business Administration (SBA) to Colorado small businesses suffering substantial economic injury as a result of COVID-19. Through the EIDL, you may borrow up to $2 million with an interest rate of 3.75% for businesses and 2.75% for nonprofits. The EIDL application period runs through December 2020 and has a maturity of up to 30 years. Any EIDL applicants receive a $10,000 grant, which if they also receive a PPP loan, will be deducted from the loan forgiveness amount. Read more about PPP and EIDL loans here.

3. Can I apply for more than one recovery program for my organization?

Yes, organizations are eligible to apply for both the Economic Injury Disaster Loan (EIDL) and Paycheck Protection Program (PPP) loans as long as the funds are used for different expenses. There is overlap in how funds can be used, and PPP is forgivable for payroll-related costs, so review both options.
In a recent Chamber webinar, Colorado Lending Source Executive Director Mike O’Donnell recommended applying for both programs but to apply for PPP first, because the loan is forgivable and any unforgivable portions are repaid at a lower rate of 1%, compared to 3.75% for EIDL loans, which are not forgivable.

PPP loans are available for up to 2.5 times your payrolls costs from Feb. 15 to June 30, based on your previous year’s payroll, with a loan max of $10 million.

4. I'm a sole proprietor. What relief programs are available to me?

You are eligible for Economic Injury Disaster Loan (EIDL) and Paycheck Protection Program (PPP) loans. If you have an existing relationship with an SBA Express Lender, you also qualify for an SBA Express Bridge Loan.

5. How do I apply for a relief program if I do not have a lender of record, or if my lender has already hit its cap on loans they are processing?

You do not need a lender of record to apply for an EIDL loan. However, those seeking to apply for a PPP loan should start with their current banking institution. If you do not have one or yours has reached their PPP loan cap, eligible lenders are listed here. If you cannot find a local lender, check with the local SBA District Office.

6. What can I do about relief for my business' rent or mortgage payments?

You may use an EIDL loan or a portion (up to 25%) of a PPP loan to cover rent or mortgage interest payments (but not mortgage prepayments or principal payments). We also recommend you work with your mortgage company or landlord based on your business and needs.

7. Where can I find more information about support for businesses and nonprofits affected by COVID?

You can review all of our resources at denverchamber.org/covid, contact our Denver Metro Small Business Development Center at info@denversbdc.org, or call the Small Business COVID-19 Disaster Response Hotline at (303) 860-5881.

FAQs specific to PPP Loans:
1. What organizations qualify?
   - Businesses with less than 500 employees (including LLCs, corporations, sole proprietors, independent contractors and self-employed people). Note: Businesses in some industries with 500+ employees may qualify if they meet the SBA’s size standards for those industries.
• Some nonprofits (including 501c(3)s and faith-based organizations)
• Veterans organizations
• Tribal businesses

2. I’m calculating my loan amount. What qualifies as payroll?

According to the CARES Act, for an employer, “payroll” is the sum of payments of any compensation with respect to employees that includes:
• Salary, wage, commission or similar compensation;
• Payment of cash tips or equivalent;
• Payment for vacation, parental, family, medical or sick leave;
• Allowance for dismissal or separation;
• Payment required for the provisions of group health care benefits, including insurance premiums;
• Payment of any retirement benefit; or
• Payment of state or local tax assessed on the compensation of employees.

The formula requires you to subtract any compensation paid in excess of an annual salary of $100,000. However, the $100,000 annual salary limit applies only to cash compensation. It does not apply to compensation paid through benefits.

3. Do independent contractors qualify for PPP?

Independent contractors (those who file a 1099) are eligible for PPP and EIDL loans. O’Donnell recommends they apply for PPP loans individually, not through the company(ies) they contract with. This will simplify the process and allow the contractor to maximize their loan forgiveness by ensuring all contract work is accounted for. Hear more about independent contractors in our recent webinar, starting at 17:40.

4. Do I need to demonstrate financial need?

PPP loans are intended to allow businesses to keep their employees on their payroll and speed up economic recovery following this crisis, so all you must demonstrate is that you are keeping your team employed and paid.

5. I’m ready to get started. What do I need to apply for PPP?

You will need to gather materials that include monthly payroll tax records, monthly rent, monthly utilities and health care benefits costs because that will help you calculate your loan need. Then, complete the PPP loan application and submit to your banking institution, which may require additional documentation. If you do not have a banking institution or yours has
reached their PPP loan cap, eligible lenders are listed here. If you cannot find a local lender, check with the local SBA District Office.

*Please note, no personal guarantee or collateral is required.*

6. What are the terms? Will my loan be forgiven?

Your loan will be forgiven if you use your PPP loan for covering payroll costs, your business mortgage interest payments or rent and utilities. However, for your loan to be forgiven, you must spend at least 75% of the loan on payroll. Forgiveness will also be decreased if your headcount or salaries and wages decrease.

All loan payments will be deferred for up to six months. For any unforgivable portion of the loan, the interest rate is 1%, with a maturity period of two years.

7. What can I use a PPP loan for?

You may use your loan for expenses including payroll costs, your business mortgage interest payments or rent, utilities, interest on any other debt obligations that were incurred before Feb. 15, 2020, and refinancing EIDL made between Jan. 31, 2020, and April 3, 2020. However, for your loan to be forgiven, you must spend at least 75% of the loan on payroll.

8. What do I do if I have already furloughed employees or instructed them to apply for unemployment?

If you intend to seek a loan through PPP, you must rehire your employees and instruct them to end their unemployment insurance benefits. The PPP loan is intended to keep employees on a payroll, so employers and employees cannot be paid and receive unemployment benefits.