Bridge Capital for Nonprofits—a 101 Primer
ABOUT LISC

SBA PAYMENT PROTECTION PROGRAM
The CARES Act - Considerations for Nonprofits

BRIDGE FINANCING
Finance Options to respond to COVID-19

Q & A
What's on your mind?
Our Mission

With residents and partners, LISC forges resilient and inclusive communities of opportunity across America—great places to live, work, visit, do business and raise families.
Los Angeles 2019 Impact

$31M in affordable housing lending

$1.6M in economic development and small business lending

$870K in grants deployed to 19 community-based organizations

412 affordable housing units built due to LISC funding

270 individuals supported through trainings
About: Payment Protection Program (PPP)

Is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll and to cover fixed costs through June 30, 2020.
The PPP is like a restricted grant. The organization will provide a set of services and in return gets to keep the funds, otherwise, it will need to be repaid.
The Coronavirus Aid, Relief and Economic Security Action (CARES Act)

In operation on February 15, 2020

Either a 501c3 or a 501c19

Has 500 or fewer employees
PAYCHECK PROTECTION PROGRAM

100% GUARANTEED BY SBA AND 100% OF THE PRINCIPAL CAN QUALIFY FOR FORGIVENESS
Next Steps

1. **ENGAGE YOUR BOARD**
   
   Obtain a board resolution

2. **GATHER DOCUMENTS TO FIGURE OUT YOUR MAXIMUM REQUEST**
   
   Financial Statements

3. **APPLY NOW**
   
   This is a finite $349B
Loan Amounts are based on "payroll costs"

The maximum loan amount is equal to 2.5 times the average monthly payroll costs during the 1-year period before the date of the loan.
ALLOWABLE PAYROLL COSTS
1. Salary/Wage/Commission
2. Vacation/Parental/Family Medical/Sick Leave
3. Allowance for dismissal or separation
4. Group healthcare benefits
5. Retirement benefits
6. Payment of state or local taxes assessed on employee compensation

DIS-ALLOWABLE PAYROLL COSTS
1. Compensation for employees in excess of $100K
2. Taxes imposed under chapters 21, 22, 24
3. An employee whose residence is outside of the US
4. Qualified sick leave that is receiving a credit under Section 7001 and 7003
No Employee makes over $100K
Total Annual Payroll: $120K
(Divide by 12) and Average Month Payroll: $10K
(Multiply by 2.5): $25K
Maximum loan amount: $25K.
Example #2

MID-SIZE NONPROFIT AGENCY

Some employees makes over $100K
Total Annual Payroll: $1.5M
(Subtract) amount of compensation in excess of $100K
$1.5M - $300K: $1.2M
(Divide by 12) and Average Month Payroll: $100K
(Multiply by 2.5): $250K
Maximum loan amount: $250K.
Permitted uses of loan proceeds

1. Payroll
2. Employer Healthcare Benefits
3. Interest on Mortgage
4. Rent
5. Utilities
6. Interest on other debt incurred before Feb 15, 2020
Loan Terms

Interest rate: 1%

Due in 2 Years
No loan fee or prepayment fee

No collateral
No repayment for 6 months
Non-recourse
Apply to an SBA Lender

SBA GUIDELINES:
Loan underwriting is based on COVID-19 and its impact on the organization and NOT its ability to repay the loan.
Loan Forgiveness is not automatic

1. Apply
2. Produce documentation verifying loan was spent on allowable uses
3. Loan forgiveness can be reduced
Reduction in loan forgiveness

**PAYROLL**
Reduction in staff could reduce your loan forgiveness amount

**SALARY REDUCTION**
Salary reductions in excess of 25%

**DON'T EXCEED 25% IN NON-PAYROLL EXPENSES**
The program is designed with paycheck protection in mind
The Board should be prepared to certify that the documentation is true, correct and used in accordance with SBA guidance.
FINANCE OPTIONS DURING COVID-19 PANDEMIC
when is the right time to access bridge capital?

A CONFIRMED RECEIVABLE SOURCE

Seek to bridge a source of receivables associated with continuing to provide services during COVID-19 Pandemic.
Municipal Partner Opportunities

**HOUSING SERVICES**
Providing services and support to temporary housing shelters

**SMALL BUSINESS SUPPORT**
Reaching out to small businesses to connect to capital and capacity building resources

**FOOD SERVICES**
Procurement and/or distribution of food services

**EMPLOYMENT AND SOCIAL ENTERPRISE**
This can take on a variety of forms including construction, cleaning, or other social services.
Bridge Loan Program

Highlights

**Loan Amount**
- Up to $5 million

**Interest Rate**
- 5-7% Fixed

**Term & Repayment**
- Up to 36 months
- Interest-only payable monthly.
Bridge Loan Program
Highlights

**LOAN FEES**
Up to 1.5% of loan amount, plus legal fees

**COLLATERAL**
Bridged receipts and/or real estate collateral
Contact Us

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