FAQ

The program terms change frequently as the SBA navigates the evolving health crisis. The answers below are current as of April 30, 2020 but are subject to change.

Economic Injury Disaster Loan (“EIDL”)

Is this a loan or a grant?

It is a loan with up to $10,000 forgivable and without a payment due for 12 months after the date of disbursement.

Are Housing Coops Eligible for the SBA EIDL loan?

YES. All co-ops are eligible, as well as all other small businesses. There is no 500 employee cap for Not-for-profits.

Are HDFCs and Mitchel Lamas considered Not-for-profits?

This is unclear, however, this only becomes an issue if the coop has more than 500 employees. If not, the co-op is eligible as a regular small business. If the co-op believes in good faith that its status as a limited equity co-op should allow it to be treated as Not-for-profit, the co-op can make that argument to the SBA loan officer and then possibly avail itself of a lower interest rate.

Can Housing Co-ops get the $10,000 forgivable advance available under the EIDL loan?

Yes – But only to the extent that they have w-2 employees and then only $1,000 per employee up to $10,000. – this is a recent change to the program previously released to the public.

What is the maximum amount of EIDL a co-op can borrow.

$2 Million. HOWEVER, there is currently a $15,000 cap on the first disbursement – Due to the thousands of application received to date, the SBA made a recent decision to limit the amount of the first disbursement to every applicant until the SBA receives more money for the program. Therefore, until further notice and for the time being, all applicants will only receive $15,000, up to $10,000 of which may be forgivable as per above.

Will I need to re-apply for the rest of my loan request?

This is uncertain. However, applicants should sign up for updates at: www.sba.gov/updates.

What can the EIDL funds be used for?

Payroll, rent and other regular operating expenses.

Who should apply for the loan?

The authorized signatory(ies) of the corporation.

Payroll Protection Program (“PPP”)

Is this a loan or a grant?

This is a loan, but if the co-op meets the condition of maintaining staff on payroll and using the funds properly for allowable expenses, then the loan becomes 100% forgivable.
Can Housing co-ops apply for the PPP?

This is uncertain. But recent correspondence with the SBA indicates that they likely are. If the co-op believes in good faith that it should be eligible despite the conflicting language in 13 CFR Section 120.110 then the SBA has stated they can apply but may run the risk of getting denied. The applicant should fully disclose its existence as a housing cooperative.

What does the PPP pay for?

Eight (8) weeks of expenses. Based upon 2.5 times the average monthly payroll for w-2 employees only. 75% of the PPP loan MUST go to cover payroll and the remaining 25% can be used to pay rent, utilities and a few other allowable operating expenses.

What if the co-op employs only a porter and super?

The co-op should do an analysis of whether the PPP is worth applying for.

What if the co-op has no w-2 employees because the management company employs the Super and porter(s)?

The PPP does not mention housing cooperatives specifically, but if a housing co-op does not have W-2 employees to whom it pays wages, salaries, commissions or cash tips, then that co-op has no employees for the purposes of the PPP. The management company can apply for the PPP for the employees as part of their own financial plan. However, many management companies and their attorneys are of the opinion that housing coops are ineligible for the PPP.

Can a co-op apply for both EIDL and PPP assistance?

The SBA will likely require the applicant to choose one or the other.
The following Eligibility Statement is submitted as an addendum to the
Payroll Protection Program Borrower Application of

[Insert Name of Applicant]

ELIGIBILITY STATEMENT

This application is made on behalf of a housing [cooperative/condominium] that
employs building services employees who have been deemed essential workers by the
State of New York during the current Coronavirus pandemic. We interpret the CARES
Act, and specifically the Payroll Protection Program, to be intended to apply to and benefit
the Applicant and its employees. 13 CFR 120.110(c) states that “passive businesses
owned by developers and landlords that do not actively use or occupy the assets acquired
or improved with the loan proceeds” [emphasis added] are ineligible. This statement does
not describe the Applicant because its purpose is to provide homes to its
[shareholders/unit owners] and the property it owns is actively used by the Applicant
for this purpose. The Applicant acknowledges that there are certain statements in Subpart
B Section 7(A) of the Office of Financial Assistance, U.S. Small Business Administration,
Lender and Development Company Loan Program publication of Standard Operating
Procedures (SOP) 50 10 5(F) that appear to contradict that interpretation. We believe that
to be an error in applying the statute and rules and request that SBA so rule. To the extent
that the unique nature of [cooperative/condominium] housing – that unlike other
housing it is not operated for the primary purpose of collecting rent from other businesses
or tenants but to actively provide housing to its owners – was not considered in the
drafting of the SOP, we request that contradictory SOP ineligibility guidance be
disregarded. To the extent that the policy set forth in the SOP does not adequately
address the unique circumstances regarding the nature of Applicant’s business, an
exception to policy is requested as authorized by the “Purpose of This Subpart”
introduction to the Section 7(A) Business Loan Programs section of the SOP. The
certification of eligibility contained in the application form is qualified in its entirety by the
foregoing.