

Community Associations: COVID-19 Legislation May Provide Relief for You, Too



Congress recently passed the historic Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act contains a series of laws and initiatives aimed at businesses *and* non-profit organizations to help them stay afloat during the COVID-19 pandemic.

Exactly how all of this aid is going to be distributed, and what the final rules governing it will be are still evolving. However, the Small Business Association (“SBA”) is already accepting direct applications for the SBA loans under the Economic Injury Disaster Relief Loan Program (“EIDL”) and CARES Act, and many community associations should be eligible for funds.

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There is currently only \$10 billion set aside for this program, which is different from the other program you may have heard about – the larger Paycheck Protection Program (“PPP”). Unlike PPP, which is an entirely new program created under the recent stimulus package, EIDL has been around in some form or another for a while, and the EIDL Loans include a \$10,000 upfront grant that does not need to be repaid at all.

If you’re like most community associations that are looking at diminished financial resources right now (especially if your community relies on monthly assessment income), then you may want to know the answers to the following 3 key questions:

- Who is eligible?
- How much money can we get?
- Where do we apply?

Who is eligible?

It appears community associations in existence and organized as non-profit corporations (which are nearly all of them) by January 31, 2020 should be eligible. This should include homeowner associations, planned unit developments, co-ops, condominiums, and other common interest associations.

How much money can we get?

The EIDL loan caps out, in theory, at \$2 million. In practice however, there are some recent reports in the news that, due to the high demand of the program, SBA is capping some of the loans at \$15,000 per borrower for initial disbursements (unless more money is allocated to the program later). This makes it critical that applications are done quickly and correctly the first time.

Unlike loans under the PPP, the EIDL loan is not forgivable. However, the first \$10,000 is treated as a forgivable grant, and you may be able to apply for this grant and not a further loan. So, in theory, if your community association needs a small infusion of cash, this may be a way to get that money. As of the date of this post, as far as non-profit community associations are concerned, it appears the interest rate for amounts over the initial \$10,000 forgivable grant is supposed to be 2.75%, and payments of principal and interest may be deferred for up to four years. Additionally, at this time, there are now also reports that just as the SBA is limiting initial loan disbursements to \$15,000, it may be limiting some grants on a rolling basis to \$1,000 per applicant due to the high volume of applications. The only way to know for sure right now is to apply, and to apply quickly.

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There is a calculus used to determine how much you are eligible to get. Without getting into all the math, both loans are largely based on your payroll costs, operating expenses, and revenues. Right now, it looks like the EIDL calculation may be more flexible than under PPP, although your operating expenses will still be a guide under a federal formula.

Funds are supposed to be used for working capital necessary until businesses can resume normal operations, like covering payroll, accounts payable, and other operating expenses, which means that funds cannot be used for refinancing, making loan payments on other federal debts, to repair physical damages, to pay IRS tax penalties or to pay out dividends.

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Where do we get it?

The SBA is taking applications now on its website, located [here](#). It takes some time – about two hours – to complete the application, but may be worth the effort for the grant. If approved, SBA can distribute funds electronically in many instances to your bank account.

The SBA is taking applications now on its website, located [here](#).

For more information about the SBA's disaster loan assistance program, you can visit the SBA's loan resources guide [here](#). Check with us for help with the application.

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