

UPDATED JULY 8, 2020**FREQUENTLY ASKED QUESTIONS****COVID-Related Special Legislation and Regulations Affecting Higher Education &
The Coronavirus Aid, Relief, and Economic Security (CARES) Act**

The Federal Government has taken a number of regulatory and legislative actions to assist institutions of higher education and students in adjusting to and recovering from the disruption caused by the COVID-19 national pandemic. Among the best known actions is the CARES Act, signed into law by President Trump on March 27, 2020, which provides \$14 billion in economic relief to institutions and students. But there have also been numerous regulatory efforts throughout the Administration that also impact colleges and universities, as well as smaller legislative efforts, such as the Paycheck Protection Program Flexibility Act of 2020, which collectively have been useful to higher education, students, and families.

Q. How much relief is included specifically for higher education in the CARES Act?

A. The CARES Act provides **\$14 billion for all sectors of higher education** to provide direct assistance to institutions of higher education to respond to student and campus needs related to the crisis. The Act directs that half of the funds shall be used for emergency grants for students and half for institutions.

Overview:

1. **Institutional Funds:** 90% of the \$14 billion (\$12.558 billion) is allocated directly to institutions through the Title IV distribution system.
 - a. At least 50% of funds (\$6.279 billion) awarded to institutions must be used to provide direct emergency aid to students.
2. **HBCUs and Minority Serving Institutions:** 7.5% (\$1.047 billion) is reserved for HBCUs and minority serving institutions.
3. **FIPSE Grants to Institutions:** 2.5% (\$349 million) is reserved for grants to institutions particularly impacted by the coronavirus, to be administered through FIPSE. Priority for these grants goes to smaller institutions that received less than \$500,000 under the formula and MSI/HBCU grants (#s 1 & 2 above) and still have significant unmet need.

There is an additional \$3 billion for states to provide funds for early childhood, K-12, and higher education. Private colleges could be eligible for these funds, but we believe it is more likely that states will dedicate these resources for early childhood and K-12 education since both public and private institutions were provided for in the separate \$14 billion higher education fund.

Institutional & Student Funds**Q. What formula will be used to allocate the relief funds?**

A. Allocated amounts will be based 75% on an institution's Pell FTE enrollment and 25% on an institution's overall FTE enrollment relative to the national total, except that students who were enrolled exclusively online prior to the pandemic outbreak will not be in the count. Institutions



must use 50% of such funds to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus.

The Department of Education issued the formula [methodology](#) it used to create individual [institutional distribution tables](#). Colleges and universities can look up their allocation and minimum amount to be distributed to students in this table, alphabetically by institution name.

Q. UPDATED 7-8-20 How will the relief funds be distributed?

A. Relief funds provided by the CARES Act directed to institutions, including MSIs and HBCUs, will be distributed through the existing Title IV infrastructure to institutions so the funds can be disbursed as quickly as possible.

The Education Department issued instructions on how institutions can access the \$6.3 billion for **emergency student grants** on April 9, 2020. Institutions must submit a [certification of agreement](#) before accessing funds. If your institution does not have an account on www.grants.gov, institutions must create an account, which takes 24-48 hours to activate. Once the certification is submitted, funds can be accessed via the Education Department's G5 distribution system for Title IV student financial aid within about 24-72 hours. The deadline for institutions to submit the certification and agreement for student funds is August 1, 2020.

The process for accessing the **institutional portion of the funds** follows the same model as the student grants. Institutions must submit a [certificate of agreement](#) before applying for funds via www.grants.gov. However, colleges and universities must apply for emergency student grants in order to be eligible to apply for the institutional portion of the funding. Additional tips and instructions for both the student and institutional grants are available on the [CARES Act section](#) of the Education Department's website. The Education Department issued [guidance](#) on the institutional funds on April 21, 2020. The deadline for institutions to submit the certification and agreement for institutional funds is August 1, 2020.

Institutions should spend funds within a year of the date of the certification and agreement.

On April 30, 2020, the funding for [HBCUs, MSIs and Strengthening Institutions portions](#) were made available. The [certificate of agreement](#) must be submitted before August 1, 2020 for institutions to receive funds.

The [FIPSE funds](#) for institutions receiving less than \$500,000 in the initial allocation was also made available on April 30, 2020. The [certificate of agreement](#) for this portion must also be submitted by August 1, 2020 for institutions to receive funds.

Q. UPDATED 7-8-20 When will the relief funds be made available?

A. Funds for the student portion were made available on April 9, 2020. Institutions must apply with a Certification and Agreement via www.grants.gov for the student portion before applying for the institutional portion. The Education Department has begun the process of distributing to schools.



Funds for the institutional portion were made available on April 21, 2020.

Funds for Historically Black Colleges and Universities, Minority Serving Institutions, and Strengthening Institutions Programs were made available April 30, 2020.

Funds for the FIPSE portion were originally announced on April 30, 2020, but they have not yet been disbursed.

Q. What expenses can I count in this category?

A. According to the CARES Act, *institutions of higher education* can use 50% of the funds for institutional purposes and 50% of the funds for student purposes. Specifically, the act says, the institutional funds are “to prevent, prepare for, and respond to coronavirus ... to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus so long as such costs do not include payment to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship.” The Education Department issued [guidance](#) on the institutional funds on April 21, 2020.

With regard to *student expenses*, the Act states “Institutions of higher education shall use no less than 50% of such funds to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus (including eligible expenses under a student’s cost of attendance, such as food, housing, course materials, technology, health care, and child care).” The Education Department [issued](#) information on these funds April 9, 2020 and released [updated guidance](#) on April 21.

Q. How flexible is the 50% of funding for students?

A. In its [guidance](#), the Education Department makes clear that this funding is for emergency cash grants to students. This funding is not to be used by institutions for reimbursement for incurred costs and expenses related to coronavirus previously provided to students unless it meets the requirements for emergency grants to students under the CARES Act and was made after March 27, 2020. It is suggested, but not required, that the neediest students be given grants first. And it is suggested, but not required, that a maximum emergency award mirror the maximum Pell Grant of \$6,195.

Q. What does it mean when it says an institution “shall to the greatest extent practicable, continue to pay its employees and contractors during the period of any disruptions or closures related to coronavirus”?

A. Congress uses the term “extent practicable” to express their intent that fund recipients will take reasonable consideration of this goal when making decisions. The fact that this language was used for this fund, while other areas of the bill, such as the business loan sections, have hard employment limits, indicates that Congress was aware they were not providing enough funding to institutions to prevent layoffs.

Q. Are the federal grants to students taxable?

A. No. While unclear initially, the [IRS announced](#) that the federal grants to students will NOT be taxed.



Q. May institutions that have provided refunds to students for room and board, tuition, and other fees reimburse themselves?

A. Institutions may not use **student funds** to reimburse themselves for such expenses. However, institutions may use **institutional funds** to provide refunds to students for room and board, tuition, and other fees as a result of the disruption caused by the coronavirus. Refunds provided to students on or after March 13, 2020 are eligible for reimbursement from institutional funds if those refunds were due to significant changes to the delivery of instruction, including interruptions in instruction, because of the coronavirus.

Q. Are students required to submit an application for the funds?

A. No. Students are not required to submit an application to the Education Department for funding. However, students who have not previously submitted a FAFSA need to attest to their eligibility via an institutionally-created application (see below). Institutions should document the processes and justifications used to determine which students get funds.

Q. UPDATED 7-8-20 May non-Title IV-eligible students receive emergency grants?

A. No. A student must be Title IV-eligible to receive funds. This does not mean that a student has to be participating in Title IV, nor does it mean they have to file a FAFSA. Students do need to attest to being eligible for the grant via an institutionally-created application.

The Education Department has made clear its interpretation of “student” as an eligible student under the CARES Act for purposes of receiving an emergency grant is one who is eligible for Title IV federal student aid under Section 484 of the Higher Education Act (HEA). The Interim Final Rule on student eligibility for CARES Act funding makes this regulation enforceable as of June 17, but is not retroactive. In the meantime, an injunction in the State of Washington currently exempts institutions in that state from the Section 484 restriction.

Q. Can a student chose to use their grant to pay an outstanding tuition or college bill?

A. Yes, the student controls how to use the funds. If a student wishes to use the emergency grant to pay for a tuition balance, the student must first take the cash grant, then turn around and pay tuition to the school. While this may seem cumbersome, the Education Department believes the extra step is necessary to ensure the student controls the funds. The Education Department will be reviewing this step through its auditing and accounting processes.

Q: Are students who graduated in Spring 2020 eligible to receive the CARES Act emergency grants?

A: Any student enrolled in an accredited program on March 27, 2020, and is eligible for Title IV funding, is eligible to receive CARES Act emergency grants. Therefore, a student who has recently graduated and meets these requirements, is eligible to receive student emergency grants.

Q. Are graduate students eligible to receive grants?

A. Yes.

Q. Are international students eligible to receive grants?

A. No. International students are not eligible for funding.

Q. Are DACA students eligible?



- A. No. DACA students are not eligible for funding.
- Q. Are students who were enrolled exclusively in online programs prior to the coronavirus pandemic eligible?**
- A. No.
- Q. Can the CARES Act funds for students be used by an institution to cover tuition or student account balances?**
- A. No. Emergency grants to students are intended to be cash awards, not for the institution to use to cover tuition or other account balances. Institutions may provide such cash awards to students via checks, electronic transfer, debit cards, payment apps, or existing student accounting systems, but only if such distributions remain unencumbered. Institutions can use student accounts as a pass through delivery mechanism, but cannot “credit” the account. The institution has no oversight or control over how the student spends the money. Therefore, it is the student who determines how to expend the funds.
- Q. UPDATED 7-8-20 Can funds be used as financial aid or scholarships for returning students in FY21?**
- A. No. The **student portion** of the funding are emergency cash grants and are therefore not considered “financial aid” in the traditional sense. These are not Title IV federal student aid dollars. Institutions may continue to provide emergency grant aid to students in the fall, so long as the funds are used to support students affected by the disruption caused by the coronavirus. Institutions may also use the **institutional portion** of their CARES Act funding to provide additional emergency grants. Again, these grants are not allowed to cover tuition and fees, but can cover the cost of computers, internet access, online library fees, for example.
- Q. Can funds be used as a recruitment tool for new students?**
- A. No. Institutions may not use funds as a recruitment tool for students.
- Q. ADDED 7-8-20 Can student funds be used for emergency grants to new students in the summer and fall of 2020?**
- A. Yes. The intent of the emergency grants to students made available in April was for immediate assistance to students for expenses related to the disruption of campus due to the coronavirus. If funds are still available, grants to students who were not enrolled at the time of the declaration of the emergency may receive emergency grants for expenses related to the disruption so they can pursue their education.
- Q. Can institutions reimburse themselves for emergency grants already made directly to students?**
- A. Yes. For the student portion of the funding, institutions can reimburse themselves but only if those emergency grants to students were disbursed on March 27 or later (the date of enactment of the CARES Act).
- Q. ADDED 7-8-20 Can colleges and universities use the institutional funds to provide emergency grants to students in the summer and fall of 2020?**
- A. Yes. The Education Department recognizes that campus operations and the delivery of education continue to be disrupted due to the coronavirus, and that students will have emergency



expenses related to pursuing education. The institutional funds can be used to provide emergency grants to students in the summer and fall terms as long as those students meet the student eligibility requirements under Section 484 of the HEA.

Q. How do schools determine the nature of the expenses the institutional grants will cover?

A. The institutional funds must be used for costs associated with significant changes to the delivery of instruction due to coronavirus as outlined in the CARES Act. Institutions may use the funds for reimbursement of costs related to refunds made to students for housing, food, or other services that the institution could no longer provide, or for hardware, software, or internet connectivity that the institution may have purchased on behalf of students or provided to students.

Q. Can CARES Act student emergency funds be used in lieu of wages for student campus employment that can no longer take place?

A. Assuming that a student can no longer work on campus due to the campus being shut down and, therefore, a significant disruption to the delivery of instruction, we believe the student funds can be used for an emergency grant to such a student. However, the institution cannot reimburse itself for paying student wages.

Q. ADDED 7-8-20 Can institutional funds be used to pay dining hall and dorm employees who would have been paid through housing fees before the coronavirus disruptions?

A. Yes. Institutions can pay these employees using the institutional portion of CARES funds because of the disruption of campus operations.

Q. If institutions can't use student funds to pay for expenses such as room and board reimbursements and purchasing of laptops, can they use the institutional portion of the CARES Act funding to do so?

A. Institutions can only reimburse themselves for emergency grants to students from the student portion of the CARES Act funding if they made such grants on or after March 27 and those grants meet same terms and conditions outlined in the CARES Act. But they can reimburse themselves from the institutional portion of the CARES funding for any room and board refunds issued to students on or after March 13 due to disruptions related to the coronavirus. Direct purchases for students for items such as laptops or other equipment already purchased for students as a result of the move to online learning are also reimbursable from the institutional share if made after March 13.

Q. What reporting requirements apply to the CARES Act funds?

A. For **emergency student grants**, institutions must report how grants were distributed to students, who received a grant and for what amount, how the amount of each grant was calculated, and any instructions that the institution provided to students about the grants. Institutions are advised to keep particularly detailed records on any reimbursements they make to themselves for student emergency grants.

Institutions also are encouraged to keep detailed records regarding **institutional use of funds**. The Education Department expects to publish additional information about CARES Act reporting requirements in the *Federal Register*. The Education Department also expects an interim reporting mechanism to be used in the immediate future since the final reporting portal will not be available before the first report is due.



- Q. The Education Department has said that to receive an emergency grant a student must meet the definition of “eligible student” under the HEA. Does the student also have to be enrolled in an HEA “eligible program” to receive such a grant?**
- A. Yes, students must be enrolled in an eligible program to receive an emergency grant.

HBCUs and Minority-Serving Institutions

Q. How does the set-aside to HBCUs and MSIs work?

- A. There is \$1 billion available to Historically Black Colleges and Universities (HBCUs), Minority-Serving Institutions (MSIs), and Strengthening Institutions Programs (SIPs) through the CARES Act. There are 11 separately authorized programs under Title III and Title V of the HEA that provide assistance to these institutions.

The Department of Education [released](#) these funds with guidance on how it is to be distributed on April 30, 2020.

The \$1 billion allotment from the CARES Act is proportionately divided among the 11 programs based on the FY 2020 funding amounts for each program. Then, within each program, funds are allocated to institutions based on the same formula used for the student and institutional CARES funds (75 percent Pell FTE; 25 percent FTE).

HBCUs and Tribal Colleges are eligible for their funds based on statutory definitions.

Eligibility for the six MSI categories is based on institutional eligibility for FY 2020 funding, NOT based on having received FY 2020 funding. The Education Department’s “Minority Serving Institution Grant Eligibility Matrix” is being used to indicate the universe of eligible institutions that will get funding.

For the Strengthening Institutions Program funds, institutions are eligible to receive relief funds if they have a certain proportion of students with need in their student populations.

The Education Department released a [spreadsheet](#) to show all programs, institutions and amounts provided for HBCUs, MSIs and SIPs.

Q. When will the relief funds for MSIs and HBCUs be distributed?

- A. Funds became available April 30, 2020. Certification and Agreement forms must be submitted via www.grants.gov before August 1, 2020, for institutions to receive funds.

Q. How can funds allocated for MSIs and HBCUs be used?

- A. According to the April 30 guidance from the Education Department, funds may be used to defray institutional expenses, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll. The funds may also be used for grants to students for any component of the



student's cost of attendance (as defined under section 472 of the Higher Education Act), including tuition, course materials, and technology.

While it is not required that 50% of these funds be used on student grants, the Education Department encourages institutions to use as much as possible on students, and to use funds to expand remote learning and build IT capacity.

Q. ADDED 7-8-20 Can MSI and HBCU funds be used for scholarships?

A. Yes. MSI funds can be used for student grants for “any component of a students’ cost of attendance,” which includes tuition and fees. Thus the Education Department interprets that these funds can be used for scholarships, not just emergencies. This is different than the student and institutional use of funds.

Q. ADDED 7-8-20 Can MSI and HBCU institutions advertise that they have “CARES scholarships?”

A. Yes. The MSI and HBCU funds do not have the same restrictions as the student and institutional funds under the CARES Act.

FIPSE Grants to Institutions

Q. What is the plan regarding allocation of the FIPSE grant for institutions that received less than \$500,000?

A. The Department of Education made the CARES grants authorized under FIPSE available April 30, 2020. These funds will raise the allocation for all public and private, nonprofit colleges that did not receive at least \$500,000 under the student and institutional emergency grants to \$500,000.

Funds can be used to defray institutional expenses, including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll, related to the pandemic incurred on March 13, 2020 or later. These funds can also be used for grants to students for any component of the student's cost of attendance (as defined under section 472 of the Higher Education Act), including tuition, course materials, and technology.

While it is not required that 50% of these funds be used on student grants, the Education Department encourages institutions to use as much of the funding as possible on students, and to use institutional funds to expand remote learning and build IT capacity.

Q. How can institutions that are eligible and wish to participate in the FIPSE grant program apply?

A. The Education Department released a [spreadsheet](#), along with its guidance, listing each eligible institution and the additional amount of funds each institution will receive to reach an allocation of \$500,000. Institutions must submit the Certification and Agreement form via www.grants.gov by August 1, 2020, to receive the funds.

After meeting the \$500,000 allocation for institutions, there is \$15 million in additional funding remaining. These funds will be made available through a future application process.



Q. ADDED 7-8-20 How should institutions document lost revenue?

- A. Institutional recipients of MSI and FIPSE funds must be able to provide proof of lost revenue upon the request of the Education Department. Documentation will need to demonstrate the decreases in revenue based on a decline in enrollment, student fees, facility revenue, summer program revenue, etc. because of the coronavirus.

Federal Student Aid Implications

Q. Please describe the institutional flexibility under the campus-based student aid programs.

- A. The CARES Act waives institutional financial matching requirements for the Supplemental Educational Opportunity Grant (SEOG) program. It also allows the transfer of unexpended funds within institutional accounts from Federal Work-Study (FWS) to SEOG in order to facilitate the flow of emergency grants to students.

The CARES Act allows for the broad use of SEOG as a student emergency grant program by waiving the existing student need requirements, and increases the maximum allowable grant from \$4,000 to the maximum Pell Grant of \$6,195. Student emergency grants disbursed via the SEOG structure also will not be treated as financial aid for purposes of student need analysis.

Institutions may continue to disburse FWS funds to students even if the student is unable to work. However, the student must have already been working in the FWS program and institutions cannot award FWS money to students who were not otherwise eligible for FWS. The institutional matching requirement is **not** waived for FWS unless otherwise waived by the Secretary.

Q. Who qualifies for the suspension of student loan payments under the CARES Act?

- A. Borrowers with Federal Direct Loans (i.e. subsidized Stafford Loans, unsubsidized Stafford Loans, PLUS Loans, Graduate PLUS Loans, Parent PLUS Loans) and borrowers with FFEL Loans that are held by the U.S. Department of Education will have those loans paused through September 30, 2020.

No interest will accrue on any loans during the six month pause in payments.

For the purposes of the federal loan forgiveness programs, any missed monthly payment during the pause will be counted as if the borrower made a qualifying payment.

The Education Department has not yet notified us of how this year's college graduates or current students will be treated.

Q. Who does not qualify for the suspension of student loan payments under the CARES Act?

- A. Payments on private educational loans will **not** be paused by the federal government and borrowers holding private loans will be required to continue their normal loan repayment schedule.

Institutions of higher education who hold Perkins Loans are authorized by the Education Department to provide the same zero interest and cessation of payments benefits as provided to borrowers under the Direct Loan Program to the loans they hold on a voluntary basis through



September 30, 2020. A similar voluntary offer is extended to FFEL Program lenders. Institutions are also authorized to offer forbearance for a period not to exceed three months, to a Federal Perkins Loan borrower who is in repayment and who is unable to make payments due to a COVID-19 related interruption.

- Q. If institutions waive various expenses for students as a result of the pandemic, do the institutions have to recalculate these students' cost of attendance?**
- A. If, as a result of the COVID-19 outbreak, an institution provides a refund or waiver of expenses for all or part of a student's tuition, fees, room and board charges, or other institutional charges, or if an institution becomes aware that a student has moved off campus for the remainder of the term, the Education Department will not require a re-evaluation of the student's cost of attendance. Therefore, the institution is not required to make changes to a student's Title IV awards on the basis of such changes.

Institutions as Employers Provisions

- Q. Are students employed on campus, who are not in the Federal Work-Study program, eligible to file for unemployment under the enhanced criteria?**
- A. While not explicitly spelled out in the CARES Act, there is no language in the bill that would bar these students from filing for unemployment benefits. However, since some payroll taxes are not required for these students, NAICU is in the process of determining if this will be permitted.
- Q. Can colleges take advantage of the payroll tax delay?**
- A. Employers, including colleges and universities, can delay the employer portion of the 6.2% Social Security tax imposed on employees' wages between 3/27/20-12/31/20. Fifty percent is due by 12/31/21 and the remainder by 12/31/22. This does not apply to the employee portion of the Social Security tax.
- Q. What is the employee retention tax credit?**
- A. The CARES Act creates a refundable payroll tax credit of up to \$5,000 for wages paid by employers to employees during the COVID-19 crisis. The credit is available to employers whose operations were "fully or partially" suspended due to government orders related to COVID-19. The credit is available to private, nonprofit colleges and universities and to their related entities if they are organized as 501(c)(3)s. We believe this would include a range of organizations such as university foundations, research institutions, alumni organizations, university presses, etc. Public institutions - if they or their related entities are deemed arms or subsidiaries of a state government - are ineligible. **Employers that receive a loan under the Paycheck Protection Program are not eligible to receive the credit.**
- Q. Are colleges that have closed campuses to in-person education, but now offer students instruction online considered under a "partial" suspension?**



- A. **The CARES Act does not define “partial” suspension.** While no guidance has been issued, we believe you could estimate for planning purposes that a reasonable interpretation of the provision would be that it applies to employees of offices, services or facilities (e.g. dining, dorms, athletic facilities) that have been “fully or partially” suspended would be covered. However, it would likely not cover a faculty member who continues to teach on an online platform.

Loan Provisions - SBA and Mid-Size Business Loan Programs

- Q. **What loan funds are available for institutions with more than 500 employees?**

- A. **Final details are not yet available. We are expecting the Department of the Treasury to issue guidance on this program in the near future.**

There are provisions that instruct the Secretary of the Treasury, through the Federal Reserve, to create a **Mid-Size Business Loan Program** to ensure that nonprofit organizations and businesses between 500 and 10,000 employees have access to a specific loan facility with loans not higher than two percent per year and no payments due for the first six months. In order to qualify, the eligible borrower must self-certify, among other things, that the loan is necessary to support the borrower’s ongoing operations, and that the borrower will retain 90% of its workforce until September 30, 2020. The CARES Act also outlines the **Main Street Lending Program**, which is designed to support lending to small and medium-sized businesses that were in good financial standing before the onset of the COVID-19 pandemic. The Federal Reserve has announced it will run the program by providing direct capitol to eligible lenders. U.S. businesses are eligible for loans if they meet either of the following conditions: (1) the business has 10,000 employees or fewer; or (2) the business had 2019 revenues of \$2.5 billion or less. Loans would have a four year maturity, and principal and interest payments on the loans will be deferred for one year. NAICU is currently working to clarify that institutions of higher education will be eligible for this fund. It is unclear if the Main Street lending program will supersede the need for a separate Mid-Size Business Loan Program.

- Q. **What is the Small Business Administration’s Paycheck Protection Program?**

- A. The CARES Act established the [Paycheck Protection Program](#) (PPP) under the Small Business Administration (SBA). The CARES Act allocated \$350 billion to help small businesses during the COVID-19 pandemic. Specifically, the Act established the Paycheck Protection Program to help small businesses, including nonprofit colleges and universities, retain employees and sustain operations during these challenging months. For those entities that have already laid off workers or cut salaries, rehiring and pay restoration is allowed. Federal regulations, [in an easy to read question and answer format](#), were recently issued.

- Q. **Who is eligible for relief under the PPP?**

- A. Any private, nonprofit college or university with fewer than 500 employees, including part-time and student workers who do not participate in the Federal Work-Study (FWS) program.



Regarding student worker counts, the SBA issued regulations on May 5, 2020 determining that student workers who participate in the Federal Work-Study, Work Colleges, or Job Locator and Development programs, or similar programs funded by states and municipalities, can be excluded from the employee count for eligibility (see [specific eligibility language](#)) in the Paycheck Protection Program (PPP).

This is an important step. These new regulations will allow some institutions that were previously ineligible to now participate in the program. However, the regulations come up short and will continue to keep most institutions with fewer than 500 employees ineligible for critically-needed funds. NAICU will continue to work to expand the exclusion to all student workers.

The new regulation also clarifies that Title IX exemptions for single-sex colleges, as well as religious exemptions, including those under Title VII of the Civil Rights Act, also apply to the PPP program. Therefore, applicants that rely on these exemptions are not excluded from participation in the PPP program.

Q. Are institutions that meet the traditional \$30 million annual revenue standard for colleges to qualify for an SBA loan, but have more than 500 employees, also eligible to apply to the PPP?

A. A plain reading of the statute and regulations would indicate that the *only* standard that now applies is the employee count.

Q. How much can I borrow under the PPP?

A. Colleges may borrow the lesser of \$10 million or 2.5 times the average total monthly payroll costs from the prior year (with some exclusions, including any earnings paid to someone that are in excess of \$100,000 per year).

Q. What can the PPP loans be used for?

A. Loans can be used for a wide variety of purposes, including: payroll costs; payments for vacation, parental, family, medical, or sick leave; severance payments; payments required for group healthcare benefits, including insurance premiums; and retirement benefits. Loans can also be used to pay local, state, and employment taxes, interest payments on any mortgage obligations or other debts incurred, and rent and utilities.

The loans cannot be used for compensation of individual employees, contractors, or sole proprietors in excess of an annual salary of \$100,000.

Q. Under what conditions does the PPP loan become a grant?

A. To receive full forgiveness you must use 75% of the funds for payroll costs and expend those funds within eight weeks of funds being disbursed. Twenty-five percent of the remaining total loan amount is forgivable if spent on specific overhead expenses, including mortgage interest, rent, and utility costs.

Employee and compensation levels must also be maintained at certain levels.



Organizations that rehire employees previously laid off as a result of the COVID-19 crisis will not be penalized for having a reduced payroll for the beginning of the relevant period.

If you do not meet all of the employment targets then your forgiveness will be prorated and the loan interest rate will be set at one percent.

Q. Are there any other limitations on participating in the PPP?

A. Eligibility for the Program is on a first-come, first-served basis. When the funds allocated for the Program are exhausted, the Program will be terminated. Small businesses cannot use this Program and the [employee retention tax credit simultaneously](#).

Q. How do I apply for a PPP loan?

A. Applications open on April 3, 2020 and can be [found here](#). NAICU members who are interested in securing funds through this program should immediately contact their bank to see if it is one of the 1,800 approved SBA lenders. Also, any federally insured depository institution, federally insured credit union, and Farm Credit System institution may be participating.

Q. What other Small Business Administration loans are colleges and universities eligible for?

A. Colleges and universities are also eligible for [Economic Injury Disaster Loans](#). For further information on loan programs visit www.SBA.gov.

Financial Responsibility Scores and NC-SARA

Q. Is the Department of Education considering taking any actions concerning institutional financial responsibility composite scores in light of the COVID-19 pandemic?

A. The suspension of the financial responsibility standards (FRS) is a top priority for NAICU. NAICU has written a [letter](#) to Secretary of Education Betsy DeVos asking for a three-year suspension of the financial responsibility scores given the financial and enrollment turmoil caused by the COVID-19 crisis. We are still waiting on a response from the Education Department to our letter. We believe that the Secretary of Education has broad authority to waive certain reporting requirements during times of national emergency, including the financial responsibility standards.

While the federal government has granted institutions of higher education an additional [six months](#) to file their financial reports because of federal delays in auditing requirements (including the eZ Audit), the Education Department has not yet taken a position on formal suspension of the regulations.

Q. In light of the COVID-19 national pandemic is NC-SARA considering relaxing its reliance on the Federal Financial Responsibility Composite Score?



- A. NAICU has [written](#) to NC-SARA to request a three-year suspension in the compact's reliance on an institution's federal financial responsibility composite scores for purposes of determining institutional eligibility for participation in the agreement. NC-SARA is [still in the process of reviewing this request](#).

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