

# How Does a Congregation Apply For the Paycheck Protection Program?

## The CARES Act and the Paycheck Protection Program

It goes without saying that COVID-19 has turned our world upside down. We're sheltering in place. We've realized that going to the grocery store is a 'high-risk' behavior. And we're worried about money – wondering if there will be enough money for us (and our congregations) to make it through this tenuous time and wondering to whom we might turn if we need help. There is help, courtesy of the government's recently approved **Paycheck Protection Program** provision from the CARES Act.

### What is the Paycheck Protection Program?

The Paycheck Protection Program (PPP) is one aspect of the larger CARES Act. PPP is a loan program specifically designed to encourage small businesses and 501(c)3 non-profits (those are our congregations!) to keep their workers on the payroll. This means federal money is available to ensure that we can pay church employees and staff during the Coronavirus economic shutdown for two months. Even better, the Government will forgive loans if all employees are kept on the payroll for eight weeks and the money borrowed is used for payroll, benefits, pension premiums, rent, mortgage interest, or utilities.

### How much can we borrow?

The PPP will loan you 2.5X your average monthly payroll cost incurred during the year before the loan was made plus an additional 25% of that amount. Payroll includes the gross payroll paid all employees (although the cap is \$100,000 for any one employee) plus the cost of employer paid insurance benefits, employer paid pension premiums and state and local taxes assessed on compensation. This also includes clergy housing allowance. The loan does not include amounts the employer pays for federal taxes and other benefits.

### How Can Our Congregation Apply for the PPP?

Your congregation can apply through “any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating.” You will need to consult with the bank your congregation uses to confirm it is participating in the program. The SBA application form can be found [here](#). However, we are finding that lenders have created their own forms, and requiring that the application be done entirely on line.

### When Can Our Church Apply to Participate in the PPP?

Lenders began processing loan applications on April 3, 2020. Because the funding pool available for PPP is limited, it is critical and highly recommended that your congregation act on this offering as soon as is reasonable. This loan offering formally closes on June 30, 2020.

## **Who** in Our Congregation Should Make This Application?

The application must be approved by the vestry or mission committee. Approval can be given at a special or regular meeting or by unanimous written consent. If you use a unanimous written consent, a bank may require a formal action at a meeting. The application requires signatures from an "Authorized Representative of the Business." (Your Priest in Charge or, in the absence of that, your Sr. Warden are designated as Authorized Representative.) Make sure that written minutes recording the authorization to sign such documents are retained in the congregation's records. For the OWNER portion of the application, we suggest incorporated congregations use "*not applicable — nonprofit religious corporation that does not issue stock*". If you are unincorporated, use "*nonprofit religious organization*."

## **Is** This Application Process Going to Take a Long Time?

Absolutely NOT! In fact, the application document itself states that the estimated time for completing the application, including gathering data needed, is 8 minutes.

## **What** are the Terms of the Loan?

This loan has a maturity of 2 years and a fixed interest rate of 1.00%. Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

## **What** are the Terms of the Loan Forgiveness?

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. At least 75% of the forgiven amount must have been used for payroll. Term for unforgiven portion is maximum of 10 years. Actual terms are in discretion of the bank. (Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.)

## **What** Lender is Offering These Loans?

You can apply through any existing SBA lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Other regulated lenders will be available to make these loans once they are approved and enrolled in the program. You should consult with your local lender as to whether it is participating. Visit <https://www.sba.gov/> for a list of SBA lenders.

## **When** Could We Expect to Receive the Money?

Your direct lender will be able to provide you with these details when you submit your formal loan application.

Check out our Diocesan Website for available [CARES Act resources](#).

## **QUESTIONS?**

John Nykamp – [treasurer@norcalepiscopal.org](mailto:treasurer@norcalepiscopal.org)

Peter Juve' – [peter@norcalepiscopal.org](mailto:peter@norcalepiscopal.org)