

CARES ACT FAQ

Last edited 4/9/2020. The Paycheck Protection Program is brand new and information is still emerging. This summary has been prepared to help local churches apply for these loans and is based on the best information available at the time of publication.

QUESTIONS	PAYCHECK PROTECTION PROGRAM LOANS (PPP)
Who can apply?	Nonprofits and small businesses
Are churches eligible?	Legal counsel and other authorities are still working on this. We are hearing reports of churches being told by banks that they will not be eligible under the PPP.
Are local churches included in the Affiliation rules with the Conference or Denomination?	The current rules of “affiliation” (i.e. who is treated as the same organization for purposes of SBA loans) were not designed to be applied to churches (or any nonprofits for that matter). If the affiliation rules are applied to our local churches and the whole conference or the whole denomination in the US is considered to be the same organization for purposes of the 500 employee limit, we will clearly not be eligible and neither will our local churches.
How to apply?	Through SBA approved banks and financial institutions – check participation and timing for application with your bank!
Is there an application to complete?	Yes, here is the application (click link) . But your bank may require further documentation completion. Check with your bank!
Under List of Applicants. Who should be listed as owners with greater than 20% ownership stake?	The Trustee Chair should be listed as the owner.
Under Signatures. Who should sign the document?	The Trustee Chairperson and the Pastor should both sign. Consult your bylaws and articles of incorporation, about who is authorized to sign.
What is the loan amount?	2.5 times the average monthly payroll costs during the 1-year period before the date on which the loan is made; different methods for seasonal employees and employers not in business from 2/15/2019 through 6/30/2019 – exclude any individual compensation over \$100K from the calculation. Example: \$20k average payroll = \$50k max loan
How to I calculate full time-equivalents?	You need to calculate % of time on hire percentage. If you have an organist who is in the church 2 times per week but practices at home, calculate based on the hours for which they were hired. Four 25% employees = One 100% employee.
Eligible use of funds?	During the 2/15/2020 – 6/30/2020 timeframe: 1. Payroll/benefit cost under \$100k/employee 2. Mortgage interest payments or rent 3. Utility payments 4. Interest on other preexisting debts 5. Refinancing of a previous Covid-19 EIDL
What amounts on the Remittance Form Apply?	CRSP-DC CRSP-DB

	Composite Rate Mandatory Health Care
What is NOT included in calculations for Payroll?	Connectional Health Care (CHC) FICA (Social Security and Medicare)
Can Housing Allowance be counted as compensation?	Include Housing Allowance as part of compensation unless the bank instructs otherwise.
What documentation is the lender likely to require?	<ol style="list-style-type: none"> 1. 2019 IRS Quarterly 940, 941 and/or 944 payroll tax reports (contact your payroll processor). 2. Payroll records for a twelve month period (ending on your most recent payroll date) which show the following information: (a) gross wages for each employee, (b) paid time off for each employee, (c) vacation pay for each employee, (d) family medical leave pay for each employee, and (e) state and local taxes assessed on an employee's compensation. 3. 1099s for independent contractors for 2019. 4. Documentation showing total of all health insurance premiums paid under a group health plan. 5. Documentation showing all retirement plan funding that was paid by the company (do not include employee contributions). 6. Evidence of your church's 501(c)(3) status. 7. Articles of incorporation for each borrowing entity 8. By-laws or operating agreement for each borrowing entity 9. Copies of each owner's driver's license 10. Certification that all employees live within the United States 11. Most recent mortgage or rent statement 12. Most recent utility bills
How do I provide evidence of our 501(c)(3) status as a church?	<p style="text-align: center;">http://umgroupruling.org</p> <p>You will need your EIN to obtain this letter. If your church runs into a problem with the bank, provide this:</p> <p style="text-align: center;">https://www.irs.gov/charities-non-profits/group-exemption-resources</p>
Can the loan be forgiven?	Purpose of program is to protect employees, so full amount can be forgiven if employees are retained/rehired at similar salaries by 6/30/2020. Separate application is required, and amount forgiven is proportionally reduced by percentage of employees not retained, rehired, or similarly compensated.
Is forgiveness of this loan automatic?	No! You will need to provide evidence to the lender that the funds provided were used for sanctioned items. Once you provide this evidence, the bank has 60 days to respond.
Can you get an Emergency Cash Grant?	No emergency disbursement provided
What is the interest rate?	1%, but it can go up, depending on the terms established by the lender; cannot exceed 4%
What is the loan term?	2 to 10 years.
What is the cost to apply?	No cost to apply

What is the deferment period before repayments begin?	6-12 months set by the bank, but interest continues to accrue during this period.
Is a personal guarantee or collateral required?	No guarantee or collateral required; however, if loan is used for improper purposes, there could be personal liability of church leadership.
Is there a prepayment penalty?	No
Are there other requirements?	<ol style="list-style-type: none"> 1. In business before 2/15/2020 2. You must certify that (a) current economic uncertainty makes this loan request necessary to support the ongoing operations, (b) the funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and/or utility payments and that if funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges, (c) Loan forgiveness claim must be well documented and that no more than 25% of the forgiven amount should be for non-payroll costs.
How do I get a copy of my tax return (941)?	Use this document to request 941s: https://www.gcfa.org/media/2179/form_4506t-for-churches.pdf

Resources

[PPP Loan Application Guidance for Local Churches – From Wespath](#)

[GCFA FAMILIES FIRST CORONAVIRUS RESPONSE ACT \(“FFCRA”\)](#)

[GCFA CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY \(“CARES”\) ACT](#)

[US Chamber of Commerce](#)

[Wespath Resources for COVID-19](#)

[Summary from Wespath on CARES Act](#)

[GCFA Resources for COVID-19](#)

[Church Law and Tax Resources](#)

[List of Largest SBA Lenders in Pennsylvania](#)

[FAQ Document from SBA](#)

[Latest information about Paycheck Protection Loans from the US Treasury Departments](#)

[FAQs from the US Treasury Department](#)

[FAQ Document from SBA](#)

[PPP Information Document from UMC Support](#)