



# Brethren in Christ U.S.

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April 7, 2020

Greetings,

On Friday, March 27, 2020, legislation known as the CARES Act was passed by the U.S. Congress and signed by the President. This bill provides \$2.2 trillion in stimulus and relief aid. One component of the bill that may directly impact your congregation is the **Paycheck Protection Program**. This program authorizes up to \$349 billion in forgivable loans to small businesses, including nonprofits, churches, and congregations, to pay their employees during the COVID-19 crisis.

## Summary of the details of the program.

- Who can apply?
  - Employers with 500 or fewer employees, including 501(c)(3) tax exempt organizations.
- How large can the loan be?
  - Loans can be up to 2.5 times the borrower's average monthly payroll costs. The amount is subject to a \$10 million cap.
- What costs count as payroll costs?
  - Salary and other wages (capped at \$100,000 for each employee)
  - Employer-paid health care benefits
  - Employer-paid retirement benefits (not including salary deferrals)
  - Employer-paid state and local payroll taxes
- What payroll costs are not included?
  - Compensation of an employee in excess of an annual salary of \$100,000
  - Federal payroll taxes
  - Any compensation of an employee whose principal place of residence is outside of the United States
  - Emergency sick leave or emergency family leave payments that qualify for a credit under the Families First Coronavirus Response Act
- What can the loan proceeds be used for?
  - Payroll costs (as noted above)
  - Interest on mortgage obligations
  - Rent on a leasing agreement
  - Utilities (electricity, gas, water, telephone, or internet)

- How much of the loan is eligible for forgiveness?
  - Amount eligible for forgiveness is the amount spent during the 8-week period, beginning on the date of the loan, for the following:
    - Payroll costs (as noted above)
    - Interest on mortgage obligations
    - Rent on a leasing agreement
    - Utilities (electricity, gas, water, telephone, or internet)
  - The amount forgiven will be reduced if the following happens during the 8-week period
    - Number of Staff: If you decrease your full-time equivalent employees
    - Level of Payroll: If you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
    - Rehiring: You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.
- If part of the loan is not forgiven, when is the loan due?
  - In 2 years.
- What is the interest rate?
  - 1.00% fixed rate.
- When do I need to start paying interest on my loan?
  - All payments are deferred for 6 months; however, interest will continue to accrue over this period.
- Can the loan be paid earlier than 2 years?
  - Yes, there are no prepayment penalties or fees.
- Do these loans require collateral?
  - No collateral is required.
- When should we apply?
  - You will need to complete and submit the application with the required documentation to an approved lender by June 30, 2020. Although the program is open until June 30, 2020, we strongly recommend that you apply as quickly as you can since there is a funding cap and lenders will need time to process the loan.

### **Next steps for your congregation**

After reading the information above and determining that your congregation is eligible to apply for a loan, you will need to do the following:

- Calculate the amount that you are eligible to receive from the program based on the criteria above.
- Contact your bishop to let them know that your congregation intends to apply for a loan through the program and whether or not you receive this form of assistance.
- Obtain approval to borrow based on any provisions that you currently have in your congregation's bylaws. This may require approval by your church board or equivalent governing group.
- Contact your bank to let them know that you are interested in a Small Business Administration (SBA) loan through the **Paycheck Protection Program**. If your bank is not an approved lender, please reach out to us for additional contacts.

- Complete the **Paycheck Protection Program** loan application.
  - You can obtain this application from an approved lender, most likely your bank, along with any other specific instructions they may have.
    - The current application can also be found at the following link:  
<https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>.
  - As part of your application, you will need to certify in good faith that:
    - The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.
    - Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
    - The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the **Paycheck Protection Program Rule**. I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.
    - The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.
    - I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.
    - During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the **Paycheck Protection Program**.
    - I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
    - I acknowledge that the Lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge, and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

- Provide your lender with payroll documentation.
  - Required documentation may vary lender to lender but the following has been suggested by a bank that we have a working relationship with:
    - 2019 IRS Quarterly 940, 941, or 944 payroll tax reports
    - Payroll reports for a twelve-month period (for the year 2019 or most recent 12 months), which will show the following information:
      - Gross wages for each employee, including officer(s) if paid W-2 wages
      - Paid time off for each employee
      - Vacation pay for each employee
      - Family medical leave pay for each employee
      - State and local taxes assessed on an employee's compensation
    - Documentation showing total of all health insurance premiums paid by the company owner(s) under a group health plan.
      - Include all employees
    - Document the sum of all retirement plan funding that was paid by the organization. Do not include funding that came from employees out of their paycheck deferrals.
      - Include all employees
      - Include 403B plans, 401K plans, Simple IRA's, SEP IRA's

**We recommend you begin gathering this information as soon as possible since it may take a substantial amount of time.**

In addition to the information provided in this letter, we have included links below to resources that provide further details and guidance.

<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp#section-header-1>

<https://www.sba.gov/document/support--faq-regarding-participation-faith-based-organizations-ppp-eidl>

<https://www.vanderbloemen.com/blog/details-of-care-act>

<https://www.ecfa.org/Content/ECFA-COVID-19-RESOURCES>

We are praying for you during this difficult time and continue to assess ways that we can assist congregations financially. Please reach out if you have additional questions.



Mitchell Martin, CPA, CFE  
 Director of Finance and Shared Services  
[mmartin@bicus.org](mailto:mmartin@bicus.org)