

The Metropolitan Organization (TMO) Overview of Paycheck Protection Program (PPP)

The US Congress has committed \$350 Billion to fund an SBA loan that helps small businesses and non-profits to keep their workforce employed during the Coronavirus (COVID-19) crisis.

Overview: The Paycheck Protection Program (PPP) is a loan designed to provide direct incentive for small businesses and non-profits, including faith-based non-profits, to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. The Paycheck Protection Program is available to small businesses and non-profits that existed before February 15, 2020 and will be available through June 30, 2020.

Who can Apply: This program is for any small business with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons) or private non-profit organization affected by coronavirus/COVID-19. Other rules apply to businesses in certain industries which may have more than 500 employees if they meet the [SBA's size standards](#) for those industries including small businesses in the hospitality and food industry. See discussion below about large religious dioceses and conferences.

How to Apply: You can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. All of the major national banks such as Wells Fargo, JP Morgan Chase and Bank of America and many Texas-based lenders such as Frost Bank have experience with SBA loans. Due to high demand, banks will likely give preference in processing applications to their existing clients. 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 in the program. Lenders may begin processing loan applications as soon as April 3, 2020.

Loan Details and Forgiveness

Determining the Loan Amount: Any qualifying small business or non-profit can borrow 250% of their average monthly payroll expense up to \$10 Million dollars. This amount is determined by taking the total payroll costs for the previous 12 months (April 2019 through March 2020) and dividing it by 12 to get an average monthly payroll cost. Employers can include all W2 wages, group health insurance premiums, vacation and paid leave, severance packages and state and local taxes paid on employees in the calculation but cannot include the amount of federal employment taxes paid. The amount of salary above \$100,000 for any employee must be excluded from the calculation.

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 be used for payroll. 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.

Forgiveness is based on the employer maintaining or quickly rehiring employees who were laid off after February 15 and maintaining salary levels. Forgiveness will be reduced if the full-time headcount declines by more than 10%, or if salaries and wages decrease by greater than 25% between the date of the loan origination and June 30, 2020.

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Getting Started: There will be tremendous demand for these loans, though you can apply at any time before June 30, 2020. If you wish to begin preparing your application, you can download a model application from the www.SBA.gov to see the information that will be requested from you. The form is available at <https://www.sba.gov/document/sba-form--paycheck-protection-program-ppp-sample-application-form>

It is likely that lenders will require borrowers to produce copies of:

- Payroll records for April, 2019 through March 2020
- Copy of lease or mortgage interest statement
- Utility Bills
- 3 years of tax returns and financial statements
- Proof of liability insurance

Lenders will also ask you for a good faith certification that the uncertainty of current economic conditions makes the loan request necessary to support ongoing operations and that the borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease, and utility payments

The 500 employee limit and large faith based organizations

The initial description of the PPP indicates that all employees of all affiliated congregations and institutions in a diocese would be counted against the 500 employee limit. This would significantly disadvantage denominations which have a large number of affiliated congregations and institutions within a specific geographic area such as a Catholic or Episcopal Diocese, United Methodist Conference or ELCA Synod. Congregations which are independent and have their own tax identity would only count their total employees and most will easily meet the 500 employee maximum.

The Texas Catholic Conference and other large religious organizations are lobbying members of Congress to assure that the SBA writes rules which allow individual congregations and organizations within a diocese to apply for PPP loans using their individual count of employees.