

DIOCESE OF SAGINAW

Paycheck Protection Program Questions and Answers for Parishes and Schools

1. What is the Paycheck Protection Program?

- SBA guaranteed loan from a financial institution which is eligible to be forgiven and requires no collateral or personal guaranty.
- To be used for payroll expenses, group health care premiums, lease or mortgage interest payments, utility payments and interest on other pre-existing debt obligations.
- Loan forgiveness amount is the amount spent on payroll costs, mortgage interest payments, lease payments and utility payments over the 8 weeks following the issuance of the loan.

2. Are Parishes eligible?

- Any parish or school which is an employer with 500 or less employees is eligible as a non-profit organization covered by the Program.
- An applicant must make a good faith certification that “the uncertainty of current economic conditions makes the loan request necessary to support the on-going operations of the eligible recipients.”

3. Are all Parishes and the Diocese of Saginaw counted as a single entity?

- No. The SBA has relaxed the affiliation rules as applied to religious organizations. The Diocese of Saginaw and each Parish will be considered an eligible borrower on their respective own.

4. How much can be borrowed?

- The maximum loan amount is the lesser of:
 - a. 2.5 multiplied by the total average monthly payroll costs incurred in the 1 year prior to the loan issuance date,or
 - b. \$10 Million.

5. May multiple loans be sought?

- No, only 1 application is allowed.

6. How long do we have to apply?

- Application must be submitted by June 30, 2020. However, if you decide to apply, you should do so expeditiously before the appropriated federal funds are exhausted. While we expect that in such case additional funds will be appropriated, there is no assurance.

7. Are there conditions on loan forgiveness?

- The forgivable amount of the loan depends on application of an employee headcount comparison between the 8 weeks following issuance of the loan with defined prior periods. The forgiveness amount may also be lowered based on significant reduction in employee compensation for the 8 week period compared to the last full quarter.
- No more than 25% of the loan forgiveness may be attributable to permissible costs (utility payments, etc.) other than payroll costs.

8. If the entire loan amount is not forgiven, what the terms for payment of the balance?

- Any amount not forgiven is converted to a 2 year term loan with interest at 1%. Monthly payments are deferred for the first 6 months. There is no prepayment penalty.

9. Are there any conditions to the loan which affect the religious nature of a Parish or school?

- The applicant must agree to comply with federal non-discrimination laws. In addition there may be an obligation to comply with certain federal laws based upon receipt of federal funds. However, the SBA regulations make clear that the non-discrimination requirements do not limit religious-based autonomy with respect to membership or employment decisions connected to the applicant's religious exercise. For example, the ministerial exception to employment decisions is preserved. Schools should also consider the implication of an obligation to comply with the accommodation provisions for special need students under the Rehabilitation Act, Section 504. However, once the loan is completely forgiven or otherwise paid off, any obligations imposed by federal law through participation in the Program are eliminated.

10. How does one proceed?

- Gather the following information: if you use a payroll processor, contact it to obtain a report detailing the payroll cost per employee and ask for detailed monthly/annual payroll data reports for all 12 months of 2019; copies of payroll tax reports (Form 941) filed with the IRS for the entire year of 2019 and first quarter of 2020 (if available); documentation reflecting health insurance premiums paid for group health plan; documentation of retirement plan funding for the past 12 months.
- Complete and submit an application to a financial institution, preferably one with whom you have a relationship.
- Contact the Diocese of Saginaw Finance Department with any questions or requests for assistance.