The “CARES Act” – S.3548 “Coronavirus Aid, Relief, and Economic Security Act” – was passed by Congress and signed by the President on Friday March 27, 2020. The purpose of the Act is “to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic.

The Act offers an important opportunity for parishes and related institutions within the Episcopal Church in Vermont to obtain transition money to help bridge churches that may experience financial difficulties while they are closed to services. This is a loan program primarily designed to continue salaries for workers that would otherwise be laid off, as well to provide funds for essential utilities, medical insurance premiums, and other expenses. The money may be paid out quickly, and if certain provisions are met (no employees terminated) the loans may be entirely or partially forgiven.

The loan program will be administered through local banks that participate in the Small Business Administration lending program, virtually all banks in Vermont. Applications will be accepted as of April 3, 2020. The money available is capped at $377 Billion – a lot of money but potentially not enough to serve all borrowers. Presumably it will be lent out on a “first come - first served” basis. Thus, churches must move quickly to initiate the loan process immediately.

There are two forms of loans: the “Paycheck Protection Program” (PPP) and the “Economic Injury Disaster Loan” (EIDL) program; the former appears to be most relevant for our churches and related institutions. The key elements of the “Paycheck Protection Program” are:

- Churches and other nonprofit organizations (501 C3) are eligible for these loans.
- Loans are applied for with a standardized application (see below) submitted to any federally insured depository (bank or credit union), presumably a local bank with which the borrower already has a financial relationship. Once the loan program is fully implemented, it is expected that loans will be funded the same day the application is completed.
- Institutions may borrow up to 2.5 times their average monthly payroll (or a maximum of $10 million, not relevant for our institutions). For purposes of calculating “Average Monthly Payroll”, most Applicants will use the average monthly payroll for 2019 (or 2020 January – March), excluding costs over $100,000 on an annualized basis for each employee.
- Most or all of this loan may be forgiven – not paid back at all – if institutions meet minimal criteria. The principle balance of the loan will be reduced by an amount equal to all expenses for payroll, utilities, and rent or mortgage interest, during the 8-week period after the loan is granted. Any remaining principle balance will be amortized over a period of up to 10 years. However, the first payment will be deferred for 12 months.
- It is believed that management of the loan, documentation appropriate for forgiveness, and developing a payment plan for any remaining principal balance will be administered
by the loan officer at the local bank. The exact details of this process are still in preparation.

- The institution must attest that the COVID-19 virus epidemic has negatively impacted their business.

**Example:**
A parish church with 5 employees and an average monthly payroll (salary, benefits, taxes, etc) of $25,000 applies for a PPP loan with its local bank. After attesting that the COVID-19 virus has impacted its business operations, the business receives a loan of $62,500. Over the next 8 weeks it is determined that the business has incurred $55,500 in eligible payroll and utilities expenses. This amount is forgiven. The principle balance of the loan is reduced to $7,000 and amortized over 10 years at an interest rate not to exceed 4%. The first loan payment is due 12 months later. The program prohibits SBA from charging fees to the lender and the borrower.

Churches and related institutions can obtain more information about this loan program from the Small Business Administration website:

The application form for a PPP loan and a borrower information sheet are available online at the website above.

Churches and institutions considering applying for a CARES Act PPP Loan should:
- Immediately convene their leadership, agree that a loan is appropriate, and identify who will be responsible for the application and management process.
- Contact the local bank(s) with whom they have existing relationships, confirm they will be processing PPP loan applications immediately, and identify which bank officer will be primarily responsible for this lending program.
- Notify the responsible bank officer that an application will be forthcoming.
- Assemble the records documenting the monthly payroll for 2019 and/or January – March 2020.
- Complete the 2-page application.
- Submit the application and payroll records to the local bank on April 3, or as soon as possible after that date.
- Expect prompt loan approval and immediate payment.
- Keep careful payroll, utilities, rent, and mortgage records spanning the 8 weeks after the loan was issued.