

PAYCHECK PROTECTION PROGRAM LOANS QUESTIONS AND ANSWERS

[Note: The answers below are based on the CARES Act PPP loan provisions and guidance contained in 14 different interim final rules and the constantly updated Q&A issued by the SBA and/or the Dept. of the Treasury as of June 1, 2020. On May 28, 2020, however, the U.S. House of Representatives passed the Paycheck Protection Flexibility Act of 2020 by a 417-1 vote. As of June 1, the U. S. Senate has not convened to consider a similar bill that differs in a number of respects, but given the overwhelming bipartisan support for the House bill, it is anticipated that the Senate will also approve major changes that will ultimately result in legislation providing more flexibility to PPP loan borrowers. This Q&A will be updated as needed when that occurs.]

1. How was the amount of my Paycheck Protection Program (PPP) Loan determined?

As outlined in the instructions of the PPP loan application form, average monthly payroll costs for 2019 were calculated and included employee gross wages up to an annual cap of \$100,000 plus the average monthly cost of life insurance, long-term disability insurance, employer 403(b) match and employer contribution towards health insurance. This amount was then multiplied by 2.5 to determine the amount of loan requested.

2. If I only have eight weeks to spend the money, how do I use all of the funds, since 2.5 months equates to 10.8 weeks?

It is important to separate how the loan amount was calculated and how the loan proceeds are to be used. On your application, you elected to use loan proceeds for payroll costs and utility costs (electric, gas, water, sewer, telephone and internet) over an 8-week period.

3. What if I do not use the entire loan amount or payroll costs for the 8-week period are less than 75% of the loan amount?

The amount of the loan that may be forgiven is subject to the limitation that at least 75% of the amount to be forgiven must be used for eligible payroll costs as adjusted. Depending on your situation, perhaps only a portion of the loan will be forgiven requiring the balance to be repaid.

Example – A loan of \$100,000 is obtained. During the 8-week period, \$65,000 is spent on payroll costs and 10,000 is spent on utility costs. In this example, the maximum amount of the loan that may be forgiven is \$86,666.67 ($65,000 / .75$); \$65,000 for payroll costs and up to \$21,666.67 for utility costs. The total amount spent during the period was \$75,000. Therefore, \$25,000 of the loan will need to be repaid while forgiveness is sought for \$75,000.

4. What about priest salaries? How do I account for their costs? Do I continue to pay the monthly billing for priests?

The PPP Loan program is administered by Employer Identification Number (EIN). A PPP Loan is available only to the EIN that pays the employee and issues the W-2 at the end of the year. As a result, parishes were not able to obtain a loan for priests.

Monthly billings for priest payroll will continue with the expectation of payment by the parishes. As with all PPP loans, forgiveness will be sought for the loan obtained for priest compensation. Should the SBA determine the loan does not qualify for forgiveness, the loan will need to be repaid. Therefore, funds will be retained until a determination is made.

5. When will funds be deposited in my account?

Please refer to the memo sent to you on May 4, 2020, as timing of transfers are dependent upon the date the loan was funded.

6. What is the process to have my loan forgiven?

The SBA issued the loan forgiveness application on May 15, 2020. We are reviewing the application and requirements and as with the PPP loan program in general, anticipate revisions to the form and/or process.

It appears the SBA wishes to have loans forgiven within 6 months of being funded and the issuing financial institution has up to 60 days to review the application. Therefore, applications for loan forgiveness should be completed by August 1, 2020.