

CARES ACT 2020

A SUMMARY AND RESOURCES FOR CHURCHES



SUMMARY OF CARES ACT PROVISIONS ECONOMIC INJURY DISASTER LOANS

Note from the Christian Church Foundation, Disciples Church Extension Fund, and Pension Fund of the Christian Church: The material contained in this document is for informational purposes only and not to be construed as tax, financial, or legal advice. Before making decisions about financial matters, please consult your attorney, tax preparer or other financial advisor to find out how these programs will impact your individual or corporate situation.

For Pension Fund members only: If any differences exist between this summary and the plan documents, the plan documents will control.

Note from Church Alliance: This document briefly summarizes provisions in the Coronavirus Aid, Relief, and Economic Security Act (“the CARES Act”) that could possibly be of interest to church plans, ministries and plan members. This summary reflects those CARES Act provisions as they are currently understood on March 29, 2020, without any agency guidance. As guidance is issued that may be applicable, we plan to provide information to you on that guidance or to refer you to that guidance but may not be able to update the summary with that information.

Unless stated otherwise in this document, staff from DCEF, CCF, and PFCC cannot provide tax or legal advice, nor interpret these documents.

Economic Injury Disaster Loan (EIDL) Program

Small businesses suffering substantial economic injury as a result of the novel Coronavirus may qualify to receive federal disaster relief loans from the U.S. Small Business Administration (SBA).

The low-interest loans--up to \$2,000,000 per loan--are available to small businesses, most private nonprofits, and small agricultural cooperatives in all U.S. states and territories as part of the SBA's Economic Injury Disaster Loan Program.

Small businesses may use the loans for working capital--to pay accounts payable, fixed debts, payroll and other bills.

Terms of the loans vary depending on the borrower, based upon ability to repay. Some businesses may qualify for long-term loans of up to 30 years. The interest rate is 3.75% for small businesses and 2.75% for nonprofits. The loans do not carry a prepayment penalty.

To qualify for a loan, the applicant must show that it has suffered a "substantial economic injury," which means economic harm that results in the applicant's inability (i) to meet its obligations as they mature, (ii) to pay its ordinary and necessary operating expenses, or (iii) to market, produce, or provide its products or services.

CARES Act Modifications

The COVID-19 pandemic has prompted special modifications and provisions to the SBA's EIDL program, either in connection with the recently enacted CARES Act legislation or pursuant to actions already taken directly by the SBA under its existing authority or discretion. **The changes are generally designed to expand access to EIDLs and to reduce the time it will take to obtain EIDL funding.**

EIDLs are made directly by the SBA in an amount not to exceed \$2 million. Certain key updates to the program are summarized below:

- Ordinarily, to qualify for an EIDL, the applicant must establish that it is a small business concern, private nonprofit organization, or small agricultural cooperative. The CARES Act has expanded its eligibility criteria to include any business with less than 500 employees.
- **The SBA may advance up to \$10,000 of the proceeds of an EIDL to an applicant on an expedited basis, within three days after the SBA receives an application. If the SBA ultimately rejects the application, the applicant may retain this initial \$10,000 advance without needing to repay it.**
- According to SBA officials, payments of principal and interest under all new and existing EIDLs will automatically be entitled to deferment through the remainder of 2020.

- **Ordinarily, to qualify for an EIDL, an applicant must show that it is unable to obtain credit elsewhere. CARES Act waives this requirement.**
- The requirement that an applicant be in business for one year prior to date it applies for an EIDL also is waived, so long as the business was in operation by January 31, 2020.
- **Personal guarantees will not be required for loans of less than \$200,000.**
- The SBA will not require prior year tax returns to be included in the application. The CARES Act authorizes the SBA to approve EIDLs based solely on an applicant's credit score or "alternative appropriate methods" for determining the applicant's ability to pay.
- **The SBA is foregoing some of its ordinary requirements to speed up the application process. For example, according to SBA officials, for loans of \$500,000 or less, the SBA will rely on the applicant to certify that it is a small business concern.**
- Under the CARES Act, Congress has appropriated \$10 billion of additional funding for EIDLs.

Please see [SBA.gov/disaster](https://www.sba.gov/disaster) for an overview of the current EIDL program administered by the SBA. **Congregations are encouraged to apply directly with the SBA online at [SBA.gov/disaster](https://www.sba.gov/disaster).** Businesses can use EIDL loans to address damages caused by a "disaster," which includes COVID-19 in all 50 states.