
Nonprofits & Mosques Fact sheet – Paycheck Protection Program & Economic Injury Disaster Loan Program

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (**CARES Act**) was signed into law. In addition to other relief, the CARES Act includes \$349 billion of funding to support small businesses and nonprofits. The CARES Act includes additional funding for the **Economic Injury Disaster Loan Program (EIDL)** and creates a new program called the **Paycheck Protection Program (PPP)**—which allows for the distribution of loans up to \$10 million each for small business, 501(c)(3) nonprofit organizations and other eligible entities. The PPP was created to maintain jobs for employees and to cover some operational costs for small businesses and nonprofits. **The PPP loan is a “first-come, first-served” loan program.**

PAYCHECK PROTECTION PROGRAM (PPP)

1. Which organizations are eligible for the funding?

Any small business, 501(c)(3) nonprofit organizations, 501(c)(19) veterans’ organizations, or other eligible entities with less than 500 employees.

2. Does my mosque, community center, or Islamic school have to be a registered 501(c)(3) organization to be eligible to apply for the funding?

No, religious organizations qualify for both PPP and EIDL loans as long as they meet the requirements of Section 501(c)(3) of the Internal Revenue Code, and all other PPP and EIDL requirements. According to the U.S. Small Business Administration guidance, such organizations are not required to apply to the IRS to receive tax-exempt status. For more information regarding participation of faith-based organizations in the PPP and EIDL program, please go [here](#).

3. How much funding is my organization eligible to receive under PPP?

The maximum loan amount will be the lesser of either (i) 2.5 times the average gross payroll costs incurred by the organization in the 12 months prior to the loan; or (ii) \$10 million.

4. Do I count independent contractors as employees for purposes of PPP loan calculations?

No, independent contractors have the ability to apply for a PPP loan on their own.

5. What period of time can the loan be used for?

The loans can be used for expenses incurred by the organization between February 15 – June 30, 2020. The exact 8-week period will be determined by your origination date. See definition of “covered period.”

6. What are the permissible uses for the funding?

- Payroll expenses
- Health and leave benefits and insurance premiums
- Mortgage interest
- Rent payments
- Utility costs

7. Will my organization have to pay back the loan?

It depends. According to the SBA, you will be eligible for loan forgiveness equal to the amount you spent on “**covered expenses**” during the 8-week period beginning on the date of the origination of the loan. This 8-week period is called the “covered period.”

8. What are “covered expenses”?

Covered expenses are payroll costs, interest on mortgages, rent, and utilities (also known as “covered expenses”). At least 75% of the forgiven amount must have been used for payroll.

9. What qualifies as “payroll costs”?

Payroll costs consist of compensation to employees in the form of (i) salary; (ii) wages, (iii) commission; (iv) tips; (v) paid leave (vacation, medical, sick, etc...), health care expenses,

state and local taxes assessed on payment of compensation. You must continue to deduct relevant FICA deductions from payroll.

10. Can I lay off employees or reduce salaries during the covered period?

Reducing salaries and firing employees will affect the forgiveness amount that your organization receives. The amount of forgiveness is based on you maintaining or quickly rehiring employees and maintain salary levels. The forgiveness amount will be reduced proportionally by any reduction in employees or if salaries and wages are decreased for employees beyond 25%.

11. Do I need to rehire employees that were fired during the coronavirus crisis?

Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness **IF** by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

12. If my loan is not fully forgiven, when do I need to pay it back?

If it is determined that the loan must be paid back in part or in full, payments will be deferred for 6 months and the loan will have an interest rate of 1.0% (according to information available as of April 7, 2020).

13. How to apply for the funding?

Look on your existing bank's website to determine how to proceed. Some banks are only allowing you to apply through their online portal and ask you not to contact them. Otherwise, contact your existing bank to set up an appointment and determine your eligibility to apply for a Payroll Protection Program loan and/or other type of covid-19 related assistance. The sample form is [here](#). For example, if you have an existing relationship with Bank of America, go to or call your local branch first and/or look at the bank's website where you may be able to apply directly. Find a list of SBA-approved lenders [here](#).

14. What documents do I need to apply for PPP?

Documents you will need to apply may include proof of payroll (W2's, W3, 940, 941, etc.) and proof of organization (i.e., tax document showing your tax status) as well as group health insurance invoices. Reach out to your payroll or accounting/CPA team for assistance. For non-profits, you will also need a board resolution authorizing your organization to apply for the loan. **See Addendum A for a sample board resolution.**

15. Do I need collateral or make a personal guarantee?

No personal guarantee or collateral is required.

16. Can my organization have multiple applications for the same purpose?

No, each borrower will need to make a good faith certification that it does not have an application pending for a loan duplicative of the current application.

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ECONOMIC INJURY DISASTER LOANS (EDIL)

1. Who is Eligible?

The following entities that have suffered substantial economic injury caused by a disaster (i.e. Coronavirus Pandemic) provided they were in existence on January 31, 2020:

- Businesses with fewer than 500 employees
- Cooperatives, ESOPs, and tribal small businesses with fewer than 500 employees
- Sole proprietors
- Independent contractors
- Most private nonprofits (including religious institutions)

2. What are the loan parameters?

The maximum EIDL is a \$2 million working capital loan at a rate of 3.75% for businesses and 2.75% for non-profits with up to a 30-year term. Payments on Coronavirus EIDL

loans are deferred for one year. Up to \$200,000 can be approved without a personal guarantee.

Approval can be based on a credit score and no first-year tax returns are required. Borrowers do not have to prove they could not get credit elsewhere. No collateral is required for loans of \$25,000 or less. For loans of more than \$25,000, general security interest in business assets will be used for collateral instead of real estate. **The borrowers must allow the SBA to review its tax records.**

3. How can I access an EMERGENCY \$10,000 GRANT?

Eligible applicants for an EIDL can receive a \$10,000 emergency grant within three days of application (through Dec. 31, 2020).

There is no obligation to repay the grant. To receive the \$10,000 emergency grant, it is not necessary to have an approved EIDL loan. **However, if you are able to secure a PPP loan, the \$10,000 grant will be subtracted from the forgiveness amount.**

NOTE: The Paycheck Protection Program (PPP) created by the CARES Act prohibits borrowers from taking out two loans for the same purpose.

4. How do I apply?

Apply online at www.sba.gov/disaster. The SBA administers the EIDL program. Please contact the SBA with specific questions.

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◇ I'm worried about riba/usury, what should I do?

Muslim organizations and other businesses considering applying but are concerned about riba/usury are directed to speak to their respective religious leaders/institutions for guidance on this important issue. [Here](#) is a resource about how PPP factors into that.

Additional Questions? Please contact CAIR-New York Litigation Director Ahmed Mohamed at ahmedmohamed@cair.com.