

Paycheck Protection Program PPP in 2021

First and Second Draw Loans



C2FM CLERGY & CHURCH FINANCIAL MINISTRY

...from financial stress to financial ministry

Today will be an overview for
churches

Additional rules for businesses &
other exceptions will not be
covered



Application Guidance

- The US Small Business Administration (SBA) issued guidance on the PPP loan application process January 6, 2021 (sba.gov)
- Those seeking a first PPP loan can refer to:
<https://www.sba.gov/document/policy-guidance-ifr-paycheck-protection-program-ppp-amended-economic-aid-act>
- Those seeking a second PPP loan can refer to:
<https://www.sba.gov/document/policy-guidance-ifr-paycheck-protection-program-ppp-second-draw-loans>

Forgiveness

- PPP loans will be forgiven (no payback required) if used for specified purposes.
- Simplified forgiveness applications are available for loans less than \$150,000.
 - Some churches have already applied and received forgiveness for PPP loans issued in Summer 2020
 - It's easy / Gets the loan off your books / Check with your lender for the application

First and Second Loans

- The new funds are available for churches seeking a PPP loan for the first time AND for churches seeking a second PPP loan
- Those seeking a first loan will follow the same guidance issued in 2020 as updated
- Those seeking a second loan will have to meet a few slightly different eligibility requirements

Snapshot

- \$284 billion allocated for new loans
- Last day to “apply for and receive” a PPP loan is...

March 31, 2021

Loan Terms for All PPP Loans in 2021

- Interest rate is 1% (for any portion that is not forgiven)
- Maturity is 5 years
- Loans are processed by lenders who certify eligibility and use
- The amount of the loan used for eligible expenses will be forgiven up to the full amount of the loan. (Must apply for forgiveness)

Second Draw Loan Terms

If a church received a PPP loan in 2020 (first draw), then the church may now apply for a second loan if:

- 1) The full amount of the first loan is fully used before the second loan is dispersed & the first loan was used for purposes that qualify for forgiveness
- 2) The church has 300 or fewer employees
- 3) Church revenue dropped by 25% or greater in 2020 relative to 2019. Two options:
 - Compare one 2020 quarter gross receipts to corresponding quarter in 2019, or
 - Compare annual 2020 revenue to 2019 (can submit tax return forms to substantiate)

Note: First draw PPP funds are excluded from gross receipts

Second Draw Maximum Loan Amounts

The LESSER of:

- 2.5 times average monthly payroll cost (select most beneficial period):
 - The 12-month period prior to when the new loan is made
 - Calendar year 2020
 - Calendar year 2019 (no additional documentation is needed if used in first round & uses same lender)

Note: Must subtract compensation in excess of \$100,000 paid to any employee.

- Or, \$2,000,000...

Revenue Reduction and Second Draw Loans

- Must document revenue reduction of 25% or greater in 2020 compared to 2019. (see prior slide)
- For loans less than \$150K, the documentation of revenue loss will only be needed when requesting forgiveness

NOTE: First-time loans DO NOT have a revenue reduction requirement.

Necessity Requirement

Certify that **“current economic uncertainty makes this loan request necessary to support the ongoing operations”** as of the date of the application

- The person authorized to sign contracts for the church is certifying this

Covered Period

- At least 8 weeks
- No longer than 24 weeks
- Period begins when funds are received
- Must show eligible expenditures in the selected time frame for forgiveness.
- Must apply for forgiveness within 10 months of the end of the covered period



Use of Funds

- Payroll costs (must be at least 60% of the total)
- Rent/Interest on mortgages
- Utilities
- Interest on debts incurred before Feb 15, 2020

Uses of Funds (cont.)

- Operations Expenditures
- Property Damage Costs: costs related to public disturbances that occurred in 2020 not covered by insurance
- Supplier Costs
- Worker Protection Expenditures

Record Keeping

- Retain all employment records relevant to the forgiveness application for a period of **four** years
- All other records relating to PPP and the forgiveness application for a period of **three** years.



Getting Started

- Contact your local lender
 - Observation: local and regional lenders were more responsive than large banks in the first round
 - Start with the bank with which you have a relationship
 - If they are not responsive, consider other lenders



Beware of Scammers

- You can anticipate hearing from scammers promising to help you obtain a PPP loan.
- Only go through approved lenders or the SBA.

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Questions?



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Want more help?

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