

How the Paycheck Protection Act Can Help Your Church



Paycheck Protection Act



1. PPP Act Overview

2. How to Apply

3. What to expect

1. PPP Act Overview

- ▶ **Forgivable Loan / Grant** program part of CARES Act (aka Stimulus bill)
- ▶ Designed to stabilize small businesses and encourage them **retain employees**
- ▶ Open to non-profits, including religious organizations

1. PPP Act Overview

- ▶ Loan amount is 2.5 times average payroll expenses over the past 12 months
- ▶ Payroll expenses include cash wages, bonuses, employer-paid health care, employer-paid retirement benefits
- ▶ 1099 employees are NOT included
- ▶ Housing allowance unclear at this point

1. PPP Act Overview

Loan Proceeds can be used for:

- ▶ Payroll expenses
- ▶ Paid sick leave
- ▶ Mortgage Interest (not principal)
- ▶ Interest on other loan incurred before Feb 15
- ▶ Rent and utilities (gas, water, electric, phone, internet)

1. PPP Act Overview

Loan forgiveness determined by:

- ▶ Actual amounts spent on eligible expense in the 8 weeks after receiving the loan - Consider using a **separate checking account** to track
- ▶ Formula based on maintaining Full Time Equivalent Employees (FTEs)
- ▶ Many churches will qualify for **100% FORGIVENESS**
- ▶ What is not forgiven becomes a 2-year loan at 0.5%

1. PPP Act Overview

For more program details:

- ▶ Wesleyan Church: <https://www.wesleyan.org/covid-19-hub>
- ▶ US Chamber of Commerce:
<https://www.uschamberfoundation.org/reports/coronavirus-emergency-loans-guide-and-checklist-small-businesses-and-nonprofits>
- ▶ SBA: <https://www.sba.gov/funding-programs/loans/paycheck-protection-program-ppp>
- ▶ VanderBloemen <https://www.vanderbloemen.com/blog>
- ▶ EFCA: <https://www.efca.org/covid-19-resources>

2. How to Apply

- ▶ PPP is administered by the US Small Business Administration (SBA)
- ▶ SBA is writing the rules / details for the program
- ▶ Apply for loan through your own bank
- ▶ Call your bank **ASAP** and ask if they are participating in PPP and how to apply

2. How to Apply

- ▶ Banks are scrambling to build the application process – most are trying to build an **ONLINE APPLICATION**
- ▶ Bank's cannot accept applications until SBA issues rules – April 3 or April 6?
- ▶ Banks are anticipating a **TIDAL WAVE** of applications
- ▶ Most banks will start with EXISTING customers only – some are prioritizing loan customers first

2. How to Apply

- ▶ Congress approved **\$349 Billion** for this program
- ▶ Estimates of nearly **\$1 Trillion** in potential applications
- ▶ Program likely to **RUN OUT OF MONEY** within weeks so..

Need to start applying ASAP

3. What to expect

- ▶ SBA Application Form (get from bank) - sample on SBA website
- ▶ Calculation of 2.5 times average payroll
- ▶ Beneficial Ownership Form (bank will provide)
- ▶ Financial Statements?
- ▶ 501c3 determination letter?

3. What to expect

- ▶ Automatic approval if you qualify - approval **NOT** based on financial condition
- ▶ No collateral required
- ▶ No personal guarantees required
- ▶ Banks are not allowed to charge fees

3. What to expect

- ▶ If you have a WIF Loan, you must get WIF approval before closing on PPP loan
- ▶ GLR approval
 - ▶ Not requiring if applying for 100% forgiven
 - ▶ Need approval if borrowing more than can be forgiven
- ▶ Banks will be overwhelmed, and many rules are still unclear so expect delays

Key Takeaways

- ▶ PPP is the BEST opportunity available to get cash into your church quickly
- ▶ Call your bank TODAY to get started
- ▶ Get started on your payroll calculations and other documentation ASAP