



Evangelical Lutheran Church in America

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Paycheck Protection Program FAQ II Drafted Jan. 15, 2021

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1. If my church or synod did not apply for the first draw (or first round) of Paycheck Protection Program (PPP) loans, can it do so now?

Yes. On Dec. 27, 2020, the new Economic Aid to Hard-hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was signed into law. The Economic Aid Act opens a new PPP loan period for first loans and implements a second loan draw for certain PPP borrowers, each through March 31, 2021. Churches, synods and other religious organizations are eligible to apply.

SBA guidance on the Economic Aid Act and first-draw PPP loans can be found [here](#). SBA provisions in the new legislation can be found [here](#).

Please see our [first FAQ document](#) for additional information on first-draw funding.

2. Is there any opportunity to pursue additional PPP loan funding if my church or synod received a loan in the past?

The Economic Aid Act made way for a second round or second draw of PPP loan funding. Churches and synods are eligible to apply for this second round of funding even if they have already applied for and received a PPP loan in the past, provided that certain conditions are met.

In general, the Economic Aid Act made the eligibility requirements for second-draw PPP loans narrower than the eligibility requirements for first-draw PPP loans. To be eligible, you must show that you have experienced a reduction in revenue of 25% or greater for one quarter in 2020 (compared to 2019). This is calculated by comparing the church's or synod's quarterly gross receipts for one quarter in 2020 with the gross receipts for the corresponding quarter in 2019. The Economic Aid Act does not include a general definition of gross receipts for purposes of determining a borrower's revenue reduction.

Additionally, those electing to apply for a second round of funding must use all the funding from the first PPP loan on or before the date new funds are received. You are also required to have fewer than 300 employees.

Second-draw PPP loans are generally subject to the same terms, conditions and requirements as first-draw PPP loans. These include, but are not limited to, the following terms:

- The guarantee percentage is 100%.
- No collateral will be required.

- No personal guarantees will be required.
- The interest rate will be 100 basis points or 1%, calculated on a noncompounding, nonadjustable basis.
- The term of maturity is five years.
- All loans will be processed by all lenders under delegated authority, and lenders will be permitted to rely on certifications of the borrower to determine the borrower's eligibility and use of loan proceeds.

A sample of the PPP second-draw application form can be found [here](#). SBA guidance on second-draw PPP loans can be found [here](#).

3. Does the new Economic Aid Act allow for more PPP-forgivable expenses?

Yes. The Economic Aid Act allows for additional forgivable expenses including:

- Payments for any business software, cloud computing services or other human resources and accounting needs (pertaining to business operations).
- Property damage costs that are due to vandalism or looting as a result of public disturbances in 2020 but are not covered by insurance.
- Worker protection expenditures, such as those incurred to comply with governmental COVID-19 requirements or guidance, from March 1, 2020, until the U.S. president declares that the national emergency related to COVID-19 safety measures has expired.

4. How are PPP loans classified or recorded for accounting purposes?

According to the Association of International Certified Professional Accountants (AICPA), in legal terms, the PPP loan is considered debt. However, in substance, many considered it to be a government grant. It is likely permissible to record the *forgiven* loan as a grant "by analogy to International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*."

A link to the AICPA guidance on recording the loan as debt or as a grant can be found [here](#).

5. How long should we keep records to prove PPP loan compliance?

PPP loan recipients could be audited by the SBA at any time. To prove PPP loan compliance, any documents used to acquire the loan, any documents submitted to your lender and all documents showing how the loan was used should be retained no less than four years for employment records and no less than three years after submission of loan forgiveness for all other records.

6. What are the forgiveness terms for the PPP loan?

According to the SBA first-draw PPP loan, forgiveness terms are as follows:

First-draw PPP loans made to eligible borrowers qualify for full loan forgiveness if, during the eight- to 24-week covered period following loan disbursement:

- Employee and compensation levels are maintained.
- The loan proceeds are spent on payroll costs and other eligible expenses.
- At least 60% of the proceeds is spent on payroll costs.

Second-draw PPP loans made to eligible borrowers qualify for full loan forgiveness if, during the eight-to 24-week covered period following loan disbursement:

- Employee and compensation levels are maintained in the same manner as required for the first-draw PPP loan.
- The loan proceeds are spent on payroll costs and other eligible expenses.
- At least 60% of the proceeds is spent on payroll costs.

Source: [PPP Loan Forgiveness \(sba.gov\)](https://www.sba.gov/loans/ppp-loan-forgiveness)

7. Where can we find additional guidance on loan forgiveness?

SBA general guidance on PPP loan forgiveness can be found [here](#).