

Completing the Paycheck Protection Act Application

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Disclaimers up front!

Missionwell is a virtual office service supporting churches, religious organizations and non-profits with a variety of services like gift handling, accounting, human resources.

- We are not attorneys
- We are not CPAs

We are completing or assisting on completion of an array of applications for our business partners, and have networked with a variety of banks and other experts.



What we will cover today

Loan Overview/Compariston

Its April 3; why is MY lender not ready today?

What is new in the SBA Interim Final Rules

Selecting a bank

What to think about before you apply

The application basics

What can you gather now to be ready?

Special situations we are aware of

Questions for which we have/don't have answers



	Economic Injury Disaster Loan	Paycheck Protection Program
Where do you apply for this loan?	The Small Business Administration (SBA)	Your local bank that does SBA 7(a) loans
What is the maximum amount we can apply for?	\$2 million	Up to \$10 million, based on the calculation of your average monthly payroll cost
What are the loan terms?	30 years	10 years
What is the annual interest rate for each loan?	2.75% for nonprofits, 3.75% for businesses	Maximum 4%, no special rate for nonprofits (0.5% for first 2 years)
When would my first payment begin?	Up to one year from loan origination date (however, interest is accruing during this period)	6 months after loan origination date (however, interest is accruing during this period)

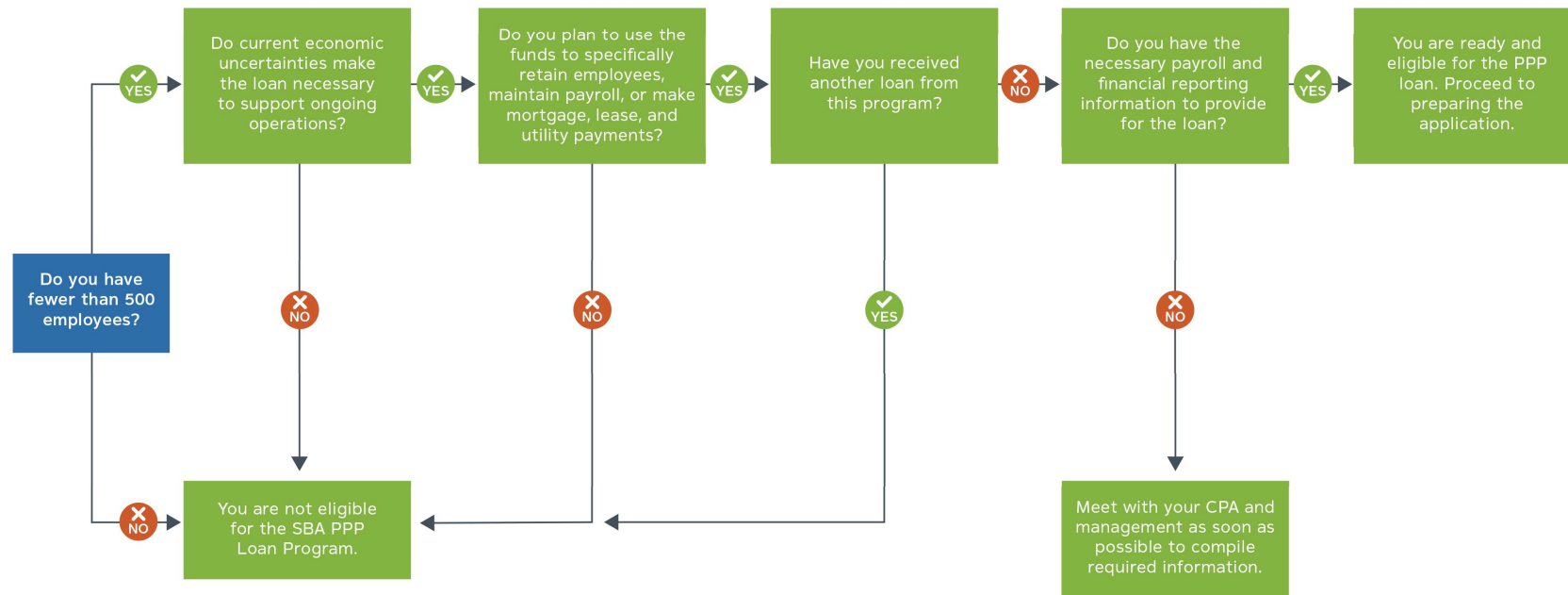
PPL clarified to 2 years; interest .5%

(continued)

	Economic Injury Disaster Loan	Paycheck Protection Program
Any specific uses for the loans?	Financial-related obligations and operating expenses that would have been met if the disaster did not occur	Payroll costs, health care benefits, insurance premiums, mortgage interest (principal is excluded), rent payments for leases enacted prior to February 15, 2020, and utility payments
Is any collateral required?	Yes	No
Any personal guarantee required?	Yes, for loans greater than \$200k	No
Is there a loan forgiveness program?	No	Yes
If there is, up to how much can be forgiven?	N/A	Up to 100% of the loan.
When can I apply for the loan?	You can apply now	Submissions will open on Friday, April 3, 2020. Loans will be given on a first-come, first-served basis.

PPP Loan Decision Tree

Paycheck Protection Program
Nonprofit Decision Tree



Its April 3: Why is my lender not ready today?

Lenders worked throughout this week with their SBA counterparts on getting more definition of the loan program. Additional Treasury guidance came out yesterday afternoon (Interim Final Rule)

- The SBA typically issues Standard Operating Procedures (SOP's) today to banks
- Banks are required to adhere to those SOP's

As a general rule, we are seeing larger banks take a bit more time; smaller banks plan to open their applications today (Friday April 3)

- Their risk management groups want to understand their exposure fully which is going to create delays

What is new in the Small Business Administration Interim Final Rules

SBA intends to promptly issue additional guidance with regard to the applicability of affiliation rules

Independent contractors do not count as employees for purposes of PPP loan calculations

- Same is true for forgiveness calculations

Explains rationale for 1% interest rate, 2 year term, 25% limitation on non-payroll costs.

E-signature consents can be used, regardless of the number of owners

Confirmation of “first come first served”

If EIDL loan as of 4/2/20 was not for payroll costs, it does not affect your eligibility for a PPP loan


Selecting a bank

Loan application available on bank websites.

Your closest relationship bank is likely to give you a priority.

- Round 1 funding started today: Many banks will focus on current customers only. This may include the need to have a depository and lending relationship.
- Some bankers have been developing waiting lists. May help with timely information.

Per SBA, Each lender shall:

- i. Confirm receipt of borrower certifications contained in Paycheck Protection Program Application form issued by the Administration;
 - ii. Confirm receipt of information demonstrating that a borrower had employees for whom the borrower paid salaries and payroll taxes on or around February 15, 2020;
 - iii. Confirm the dollar amount of average monthly payroll costs for the preceding calendar year by reviewing the payroll documentation submitted with the borrower's application
- 

What to think about before you apply

Option to do EIDL loan INSTEAD of PPP loan (only one)

- “Don’t put all your eggs in one basket” theory

If you will end up with a “loan” after forgiveness, should you keep it?

- VERY attractive terms
- Consider:
 - Your ability to repay the unforgiven loan over the two-year loan period (if limited, consider prepayment immediately)
 - Your liquidity needs – do you need a reserve for the next few months?
 - Do you have “free” loan resources, eg, from donors
 - Funding to allow investments to recover from paper losses

The application



Paycheck Protection Program Borrower Application Form

OMB Control No.: 3245-0407
Expiration Date: 09/30/2020

Check One: <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> C-Corp <input type="checkbox"/> S-Corp <input type="checkbox"/> LLC <input type="checkbox"/> Independent contractor <input type="checkbox"/> Eligible self-employed individual <input type="checkbox"/> 501(c)(3) nonprofit <input type="checkbox"/> 501(c)(19) veterans organization <input type="checkbox"/> Tribal business (sec. 31(b)(2)(C) of Small Business Act) <input type="checkbox"/> Other	DBA or Tradename if Applicable	
Business Legal Name		
Business Address	Business TIN (EIN, SSN)	Business Phone
		() -
	Primary Contact	Email Address

1

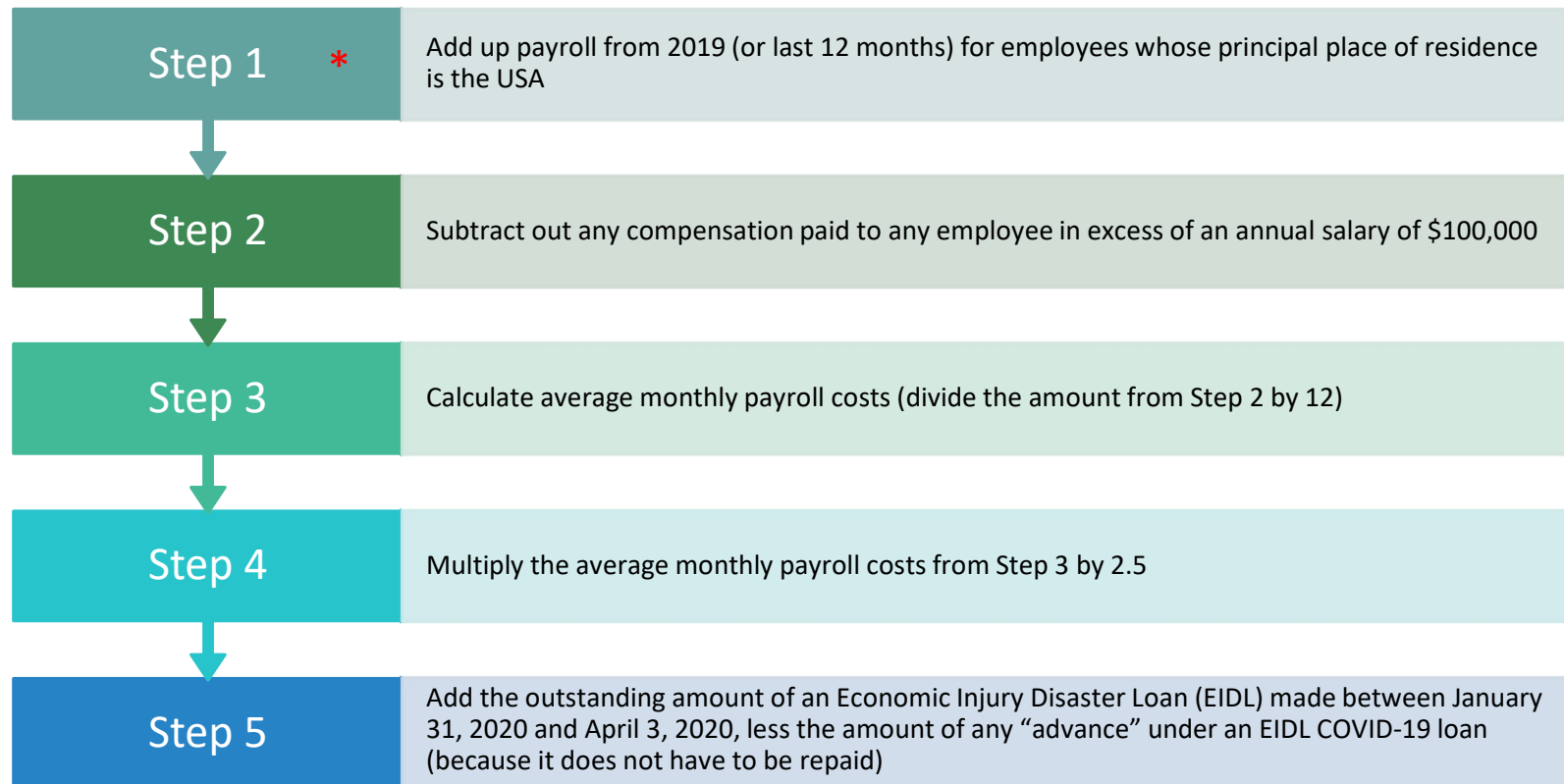
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Average Monthly Payroll:	\$ See next slides	x 2.5 + EIDL, Net of Advance (if Applicable) Equals Loan Request:	\$	Number of Employees:	Headcount
Purpose of the loan (select more than one):	<input type="checkbox"/> Payroll <input type="checkbox"/> Lease / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain): _____				

3

Generally check all

General calculation method – average monthly payroll



*Seasonal may use 2/15/19-6/30/19 as option; new businesses may use 1/1/2019-2/29/2020

Sample calculation

Assume:

A. Annual payroll: \$1,500,000

B. Some employees make more than \$100,000. Excess compensation is \$300,000 (sum of amounts over \$100,000 per employee)

Calculation:

C. Qualifying annual payroll is $A - B$: \$1,200,000

D. Average monthly qualifying payroll $C / 12$: \$100,000

E. Multiply $D \times 2.5 = \$250,000$

Maximum loan amount is **\$250,000**



What qualifies as payroll costs?



- Compensation to US-based employees in the form of salary, wages, commissions, or similar compensation;
- Cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips);
- Payment for vacation, parental, family, medical, or sick leave;
- Allowance for separation or dismissal;
- Payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement;
- Payment of state and local taxes assessed on compensation of employees

Your lender is required to verify Payroll Costs – make it easy for them by using payroll filings

Applicant Ownership

List all owners of 20% or more of the equity of the Applicant. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN, SSN)	Address
Probably the CEO, Executive Director, Chairman of Board of Trustees/Elders,				

1

If questions (1) or (2) below are answered "Yes," the loan will not be approved.

Question	Yes	No
1. Is the Applicant or any owner of the Applicant presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Applicant, any owner of the Applicant, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Applicant received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

2

If questions (5) or (6) are answered "Yes," the loan will not be approved.

Question	Yes	No
5. Is the Applicant (if an individual) or any individual owning 20% or more of the equity of the Applicant subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, or on probation or parole? Initial here to confirm your response to question 5 → _____	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 5 years, for any felony, has the Applicant (if an individual) or any owner of the Applicant 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)? Initial here to confirm your response to question 6 → _____	<input type="checkbox"/>	<input type="checkbox"/>
7. Is the United States the principal place of residence for all employees of the Applicant included in the Applicant's payroll calculation above?	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Applicant a franchise that is listed in the SBA's Franchise Directory?	<input type="checkbox"/>	<input type="checkbox"/>

3



Paycheck Protection Program Borrower Application Form

By Signing Below, You Make the Following Representations, Authorizations, and Certifications

CERTIFICATIONS AND AUTHORIZATIONS

I certify that:

- I have read the statements included in this form, including the Statements Required by Law and Executive Orders, and I understand them.
- The Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) implementing the Paycheck Protection Program under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (the Paycheck Protection Program Rule).
- The Applicant (1) is an independent contractor, eligible self-employed individual, or sole proprietor or (2) employs no more than the greater of 500 or employees or, if applicable, the size standard in number of employees established by the SBA in 13 C.F.R. 121.201 for the Applicant's industry.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business-related purposes as specified in the loan application and consistent with the Paycheck Protection Program Rule.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.
- Any loan received by the Applicant under Section 7(b)(2) of the Small Business Act between January 31, 2020 and April 3, 2020 was for a purpose other than paying payroll costs and other allowable uses loans under the Paycheck Protection Program Rule. **EIDL Loan**

For Applicants who are individuals: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

*** New in SBA Interim Final rules on April 2, 2020 (not in application)

All loans guaranteed by the SBA pursuant to the CARES Act will be made consistent with constitutional, statutory, and regulatory protections for religious liberty, including the First Amendment to the Constitution, the Religious Freedom Restoration Act, 42 USC 2000bb-1 and bb-3, and SBA regulation at 13 CFR 113.3 which provides:

"Nothing in [SBA nondiscrimination regulations] shall apply to a religious corporation, association, educational institution with respect to the membership or the employment of individuals of a particular religion to perform work connected with the carrying on by such corporation, association, educational institution or society of its religious activities." SBA intends to promptly issue additional guidance with regard to religious liberty protections under this program.

CERTIFICATIONS

The authorized representative of the Applicant must certify in good faith to all of the below by **initialing** next to each one:

- _____ The Applicant was in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on Form(s) 1099-MISC.
- _____ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- _____ The funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.
- _____ The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.
- _____ I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.
- _____ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under the Paycheck Protection Program.
- _____ I further certify that the information provided in this application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- _____ I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

Signature of Authorized Representative of Applicant

Date

Print Name

Title



Paycheck Protection Program Borrower Application Form

Purpose of this form:

This form is to be completed by the authorized representative of the Applicant and ***submitted to your SBA Participating Lender***. Submission of the requested information is required to make a determination regarding eligibility for financial assistance. Failure to submit the information would affect that determination.

Instructions for completing this form:

With respect to “purpose of the loan,” payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation.

For purposes of calculating “Average Monthly Payroll,” most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee. For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee. For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

If Applicant is refinancing an Economic Injury Disaster Loan (EIDL): Add the outstanding amount of an EIDL made between January 31, 2020 and April 3, 2020, less the amount of any “advance” under an EIDL COVID-19 loan, to Loan Request as indicated on the form.



All parties listed below are considered owners of the Applicant as defined in 13 CFR § 120.10, as well as “principals”:

- For a sole proprietorship, the sole proprietor;
- For a partnership, all general partners, and all limited partners owning 20% or more of the equity of the firm;
- For a corporation, all owners of 20% or more of the corporation;
- For limited liability companies, all members owning 20% or more of the company; and
- Any Trustor (if the Applicant is owned by a trust).



Paperwork Reduction Act – You are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated time for completing this application, including gathering data needed, is 8 minutes. Comments about this time or the information requested should be sent to : Small Business Administration, Director, Records Management Division, 409 3rd St., SW, Washington DC 20416., and/or SBA Desk Officer, Office of Management and Budget, New Executive Office Building, Washington DC 20503.

Privacy Act (5 U.S.C. 552a) – Under the provisions of the Privacy Act, you are not required to provide your social security number. Failure to provide your social security number may not affect any right, benefit or privilege to which you are entitled. (But see Debt Collection Notice regarding taxpayer identification number below.) Disclosures of name and other personal identifiers are required to provide SBA with sufficient information to make a character determination. When evaluating character, SBA considers the person’s integrity, candor, and disposition toward criminal actions. Additionally, SBA is specifically authorized to verify your criminal history, or lack thereof, pursuant to section 7(a)(1)(B), 15 USC Section 636(a)(1)(B) of the Small Business Act (the Act).

Disclosure of Information – Requests for information about another party may be denied unless SBA has the written permission of the individual to release the information to the requestor or unless the information is subject to disclosure under the Freedom of Information Act. The Privacy Act authorizes SBA to make certain “routine uses” of information protected by that Act. One such routine use is the disclosure of information maintained in SBA’s system of records when this information indicates a violation or potential violation of law, whether civil, criminal, or administrative in nature. Specifically, SBA may refer the information to the appropriate agency, whether Federal, State, local or foreign, charged with responsibility for, or otherwise involved in investigation, prosecution, enforcement or prevention of such violations. Another routine use is disclosure to other Federal agencies conducting background checks but only to the extent the information is relevant to the requesting agencies’ function. See, 74 F.R. 14890 (2009), and as amended from time to time for additional background and other routine uses. In addition, the CARES Act, requires SBA to register every loan made under the Paycheck Protection Act using the Taxpayer Identification Number (TIN) assigned to the borrower.

Debt Collection Act of 1982, Deficit Reduction Act of 1984 (31 U.S.C. 3701 et seq. and other titles) – SBA must obtain your taxpayer identification number when you apply for a loan. If you receive a loan, and do not make payments as they come due, SBA may: (1) report the status of your loan(s) to credit bureaus, (2) hire a collection agency to collect your loan, (3) offset your income tax refund or other amounts due to you from the Federal Government, (4) suspend or debar you or your company from doing business with the Federal Government, (5) refer your loan to the Department of Justice, or (6) foreclose on collateral or take other action permitted in the loan instruments.

Right to Financial Privacy Act of 1978 (12 U.S.C. 3401) – The Right to Financial Privacy Act of 1978, grants SBA access rights to financial records held by financial institutions that are or have been doing business with you or your business including any financial



Paycheck Protection Program Borrower Application Form

institutions participating in a loan or loan guaranty. SBA is only required provide a certificate of its compliance with the Act to a financial institution in connection with its first request for access to your financial records. SBA's access rights continue for the term of any approved loan guaranty agreement. SBA is also authorized to transfer to another Government authority any financial records concerning an approved loan or loan guarantee, as necessary to process, service or foreclose on a loan guaranty or collect on a defaulted loan guaranty.

Freedom of Information Act (5 U.S.C. 552) – Subject to certain exceptions, SBA must supply information reflected in agency files and records to a person requesting it. Information about approved loans that will be automatically released includes, among other things, statistics on our loan programs (individual borrowers are not identified in the statistics) and other information such as the names of the borrowers (and their officers, directors, stockholders or partners), the collateral pledged to secure the loan, the amount of the loan, its purpose in general terms and the maturity. Proprietary data on a borrower would not routinely be made available to third parties. All requests under this Act are to be addressed to the nearest SBA office and be identified as a Freedom of Information request.

Occupational Safety and Health Act (15 U.S.C. 651 et seq.) – The Occupational Safety and Health Administration (OSHA) can require businesses to modify facilities and procedures to protect employees. Businesses that do not comply may be fined, forced to cease operations, or prevented from starting operations. Signing this form is certification that the applicant, to the best of its knowledge, is in compliance with the applicable OSHA requirements, and will remain in compliance during the life of the loan.

Civil Rights (13 C.F.R. 112, 113, 117) – All businesses receiving SBA financial assistance must agree not to discriminate in any business practice, including employment practices and services to the public on the basis of categories cited in 13 C.F.R., Parts 112, 113, and 117 of SBA Regulations. All borrowers must display the "Equal Employment Opportunity Poster" prescribed by SBA.

Equal Credit Opportunity Act (15 U.S.C. 1691) – Creditors are prohibited from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status or age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

Debarment and Suspension Executive Order 12549; (2 CFR Part 180 and Part 2700) – By submitting this loan application, you certify that neither the Applicant or any owner of the Applicant have within the past three years been: (a) debarred, suspended, declared ineligible or voluntarily excluded from participation in a transaction by any Federal Agency; (b) formally proposed for debarment, with a final determination still pending; (c) indicted, convicted, or had a civil judgment rendered against you for any of the offenses listed in the regulations or (d) delinquent on any amounts owed to the U.S. Government or its instrumentalities as of the date of execution of this certification.

What can you gather now to be ready?

If you don't have a current banking relationship:

- Entity identity documents including Articles of Incorporation/Organization, Bylaws and Partnership and Operating Agreements, the date you started your business, your articles of incorporation.
- Your annual revenue or other financial information

2019 Payroll – total payroll for full year 2019, by employee, as reported to the IRS.

- ✓ Payroll registers, payroll tax returns (941s), individual W-2s, Some banks report they will be using a year ending Jan 30, 2020 or Feb 15, 2020.

Payroll report as of February 15, 2020 or closest date after that date, by employee

Varies by bank



Special situations we are aware of where most but not all agree

Eligible churches with special 501 c 3 situations

- Churches falling under group umbrella are 501 c 3s
- Unincorporated churches or incorporated churches without 501 c 3
 - IRS Code says it's a defacto 501 c 3

Housing Allowance is part of compensation (remember to exclude over \$100K amounts when added to taxable portion of salary)

- Counted for Social Security

Affiliated legally distinct entities – may separate

EIDL – Religious organizations should be able to apply. Unclear if 500 limit applies to religious organizations (in different section)

Page 1 of application – is it FTEs or headcount? Straight headcount

Contractors – NO (reminder: switch your musicians to employees)

Unanswered questions

Religious – application

- As of today it's a go BUT ...
- State issues unexamined.
- Call attorney for more blanket waiver and to discuss state issues

Definition of self-insured – unknown today

Taking only what you need vs. taking the maximum (moot as prepayable)

Must apply through banks vs. may apply online at SBA – appears to be bank

Single legal entity with multiple TINs – be prepared to show summation and explain reason for multiples.

Final advice

Religious freedoms issue

- Get legal or accountant advice as needed
- Involve your board as necessary in the religious freedoms issue

Display a bias towards conservatism in your calculations. Be accurate. Make sure numbers tie to what has been reported. No challenges is the goal.

Consider the EIDL loan if you are too late for the PPP loan

Other enhancements, eg to tax deductibility of charitable donations may represent a path to more gifts

Enjoy those 8 minutes!

Thank you.

