

April 29, 2020



SBA Loan Programs

On Friday, April 24, 2020, President Trump signed the Paycheck Protection Program and Health Care Enhancement Act passed by Congress to replenish the funds available in these programs. Below are some updates that came with this new Act.



Applications already in the pipeline will begin to be processed on Monday, April 27th. New applications will also be accepted at this time. It is not known how long the funding will last but the expectation is it will be exhausted within 2 weeks.

The Act added \$310 Billion in funding to the PPP loan program. Of that amount, \$60 Billion is being directed toward small and mid-size lenders to help ensure small businesses get their share before larger businesses borrow all the funds. Besides community banks and federal credit unions, non-bank lenders have also been approved by the Small Business Administration (SBA). Some of the non-traditional lenders include:



- BlueVine
- Brex
- Centerstone SBA Lending
- Fundera
- Funding Circle
- Harvest Small Business Finance
- Kabbage



- QuickBooks Capital
- Lendistry
- OnDeck
- PayPal
- Square
- The Loan Source
- Velocity SBA
- and many others.

Some of these fintech sites may have restrictions or limitations for their loans, including accepting applications only from existing customers; restricting loans to certain industries; or capping loan amounts at less than the \$10 Million SBA maximum. **Research various lenders to find the best suited option and vet potential lenders to make sure they are SBA-approved.**



Another \$60 Billion has been allocated to the Economic Injury Disaster Loans (EIDL). The additional funding is to provide \$50 Billion in loans and \$10 Billion in emergency grants.

If a business already has an application in the pipeline from the first round of funding, they may not need to submit a new application. First check with the original lender to determine the status of the application. **If the original application was not submitted to the SBA, then it is advisable to try a new lender, perhaps a smaller one like those listed above.**

In this Act, Congress has allocated and increase of \$2.1 Billion to the SBA's budget so they can better facilitate the loan process.

There are some important changes to SBA guidance to be aware of as well.

1. They have clarified that farms and other agricultural businesses with less than 500 employees are eligible for the EIDL program.
2. The SBA has clarified that Hedge Funds and Private Equity Firms are not eligible for the PPP loans; however, private equity portfolio companies may be eligible.
3. An applicant who is involved in a bankruptcy currently or before the loan is funded, is ineligible for the PPP program.
4. They have also clarified that "small business concerns" meeting the SBA "alternative size standard" may be eligible for the PPP loan even if they exceed 500 employees.

The first round of PPP funding brought controversy, namely large publicly traded companies received loans. That was not the intent of these programs. In this updated Act, there are provisions to limit that from happening again.

Under the Ineligible Borrower's Safe Harbor Rule, the SBA reminds all prospective borrowers that they must certify that "current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." The Applicant will need to certify this statement in good faith.



PPP loans will be audited at some point and borrowers will likely face scrutiny as to the necessity of the loan; the size of their business; the amount of their loan; and how they used the loan proceeds. If a borrower determines they do not need the loan after receiving it, they have until May 7, 2020 to return it in full to the SBA without penalty.

It is expected the SBA will issue more details on the forgiveness aspect of these loans later this week.

Despite these trying times, please know we are still here for you. If you require any assistance with your PPP loan, please don't hesitate to call or email us.

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