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Lenders hesitant on new wave of PPP small business loans

By Kylea Henseler

While Congress just approved another round of Payment Protection Program lending that local experts say will be great for small businesses, lenders are still deciding whether to participate.

Sheri Fiske Schultz, CPA, a managing partner at accounting and consulting firm Fiske & Co., said she is encouraging all of her qualifying clients to apply. The new program, which caps loans at $2 million for individual companies, will be available only to businesses with 300 or fewer employees that can prove a drop in year-over-year revenue of 25% or more for any quarter of 2020.

Of local interest, she said, is the fact that hotels, restaurants and other businesses in the hospitality industry can receive loans of up to 3.5 times their average payroll expenses – more than the 2.5 times payroll that other businesses can qualify for.

The pool of businesses applying for this round of loans will probably be narrower than the first, she said, as businesses used to be able to apply with up to 500 employees without proving losses. Entities that haven't applied for the first round, she added, will need to apply under those terms and receive a loan before applying to the second.

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Expenses that companies can use funds for, Ms. Fiske Schultz said, are also broader in this round, as payroll expenses, which must make up at least 60% of what the loan is used for, can include benefits like employee healthcare but non-payroll expenses like computing software can also be covered under the new loan.

"There's so many companies that have been hurt," she said, "and it will help the ones that need it the most."

Still, she said, fewer lenders may also take on the program this time around.

Richard Helber, CEO of Tropical Financial Credit Union, said he planned to wait and see before deciding whether to participate in the second round.

"We haven't gotten any direction from the Small Business Administration yet about exactly how it's going to work," he said, and it's tough to decide without more communication.

Further, he said, processing the first round of loans was a taxing process for employees.

"All the documentation and going back and forth caused a tremendous amount of work," he said, and the comparatively "small-dollar" loans don't generate much revenue for lenders, who often take them on as a service to their clients.

Due to a Small Business Administration rule that required loans to be funded within 10 days of approval, he said, the first round generated a great amount of stress and work for employees, who often had to work 60-hour weeks to meet the demand.

Further, he said "filing forgiveness (of the first round of loans) is coming at the same time as new ones – it's an issue of bandwidth."

Eddy Arriola, CEO of Apollo Bank, said Apollo definitely plans to participate in the next round, though he expects fewer businesses to apply.

"We expect clients and potential borrowers to be better prepared and a lot less frantic," he said. "For local businesses, it's great."

"If banks don't participate," he continued, "it's because they're exhausted." But many, he said, had already invested in creating an infrastructure to handle the program that could be mobilized again.

More communication from the Small Business Administration, he said, is still needed, as the multiple rule-changes that occurred in the early months of the first round have left bankers and borrowers on edge.

"The lenders who have to execute on this aren't getting any special information," Mr. Arriola said. "It's all what we read in the news."