

SBA Paycheck Protection Program

Talking Points/Q&A

April 24, 2020

Note: This document reflects federal guidance released through April 24, 2020.

Topline Messages

- *The Small Business Administration's Paycheck Protection Program is an unprecedented government initiative to provide desperately needed financial assistance to the small business community in response to the coronavirus pandemic. Banks and other financial institutions have been asked by the government to serve as the delivery mechanism for this aid, and banks of all sizes have responded.*
- *While there were significant technical and logistical problems with SBA's launch of the program, banks of all sizes worked collaboratively with the government to make it a success. In less than 14 days, nearly 5,000 lenders across the country provided almost 1.7 million small businesses with \$349 billion in loans backed by the government to keep their workers on the job. The average loan was \$206,000, and 60% of the loans came from banks under \$10 billion in assets.*
- *Having seen the incredible demand for PPP loans, Congress appropriated an additional \$310 billion towards the program. We welcome this development, which will offer even more small businesses a much-needed financial lifeline that will in turn help save millions of jobs.*
- *There are 30 million small businesses in the US, and while the PPP will help a significant number of them, it is not large enough to provide relief to every struggling small business. Congress must decide if the program should be expanded to help even more businesses. Banks stand ready to play their part as the conduit for this government aid.*
- *America's banks will continue to stand by their small business customers and do everything they can to deliver this relief quickly and efficiently, saving jobs and limiting the economic damage from this pandemic. Banks were helping their customers before this crisis and they will help them after.*
- *Banks of all sizes will continue to work closely with small businesses in their communities to assess their options going forward. Small businesses unable to participate in this second wave of PPP funding may qualify for other federal relief programs such as the Fed's Main Street Lending Program.*

Hard Questions & Answers

Will all small businesses be able to access this new funding? What are the alternatives if it runs out before a small business can access it?

Millions of businesses will benefit from this program, but it's unlikely there will be enough to help every small business in need. Given the intense demand for these loans, PPP could be depleted within days. If businesses are unable to get a PPP loan, they should talk to their bank about other options that might help them through this crisis. In addition to any assistance the bank might be able to provide directly, there may be other federal programs that could help. For example, small businesses may be eligible for the Fed's Main Street Lending Program.

Are banks to blame for failing to get their customer loans approved in time?

Banks of all sizes moved expeditiously to process loan applications under PPP, and nearly 1.7 million businesses were approved for loans in less than two weeks. That's unprecedented. With 30 million small businesses in this country, \$350 billion dollars was never going to be enough and even the additional \$320 billion likely won't cover the needs of every small business hurting right now. That's why we have encouraged Congress and the administration to consider additional help for small business. Banks will continue to assist small business customers regardless of the government assistance programs.

Why have banks prioritized their existing business customers, including large businesses?

Many banks have been prioritizing applications from existing business customers because they already have the relevant information in their systems for those borrowers. Under existing law, banks are obligated to verify a range of information before they can consider a business loan. Those requirements did not go away with the creation of PPP. That makes it harder to onboard a new customer and immediately apply for a PPP loan. The situation is further complicated by the coronavirus crisis and the current limitations on branch operations and face-to-face meetings. If lawmakers approve additional funding, any small business that wants to apply should consider talking to SBA lenders in their area. SBA maintains that list at this link: <https://www.sba.gov/paycheckprotection/find>.

Have banks given priority to larger customers?

Banks have every interest in processing as many loans as they can from clients and non-clients. Given the flood of applications, banks have had to build new systems and redirect resources to handle that load. It's logical that they would process applications from existing customers first because they already have the necessary borrower information. That makes the process go faster. That doesn't mean they don't want all of their applicants to get a loan, but there is a limited amount of PPP funds. Unfortunately, that means not all bank customers get their loan before the money runs dry.

Why did large businesses like Shake Shack and Ruth's Chris get PPP loans?

That's really a question for the individual businesses and Congress. Businesses must meet eligibility requirements set by Congress and the SBA. They must also attest that they need the funds because of the pandemic. If they do that and they meet the technical requirements, banks were encouraged to provide them loans. Congress did not ask banks to judge whether a business deserved a loan, simply whether they qualified. Until that changes, banks will continue to

process loans from any applicant who meets the requirements and attests that the business faces financial harm from COVID-19.

What information will a bank need from a customer?

Banks will need to collect payroll information, although some of the verification process for payroll and other expenses has been streamlined, and banks expect small businesses to come to them in good faith.

Banks are still subject to Bank Secrecy Act requirements, but Treasury has declared that if the company is an existing customer of the bank and the bank has already identified and verified the identity of the beneficial owners of the company, then it can rely on the information it already has on file. Moreover, if the beneficial ownership information is incomplete for an existing customer, the bank will not be required to complete and verify it, although the bank will make that determination after a risk-based assessment. These changes should help streamline the approval process for many loan applications.

What do you think of the Fed's new Main Street Lending Program?

The Main Street Lending Program has the potential to be a critical tool to help more businesses weather the economic impact of COVID-19 and the national shutdown. The details of the program will be important and will likely determine the level of participation. If the program is implemented with more flexible loan terms, it will likely help more borrowers and more lenders. Importantly, this program is not a grant program like the Paycheck Protection Program; it is a loan program and many businesses may choose not to participate. In the PPP, banks are used as a conduit to facilitate grants that are forgivable under certain conditions. In the Main Street Lending Program, banks are being used as a mechanism to underwrite loans. As thoughtful underwriters, banks will protect the Federal Reserve as a loan participant and American taxpayers who are providing a financial backstop.

Are you concerned about fraud and what can banks do to prevent it?

Banks are always concerned about fraud and they serve as a critical first line of defense to fight it. Communication between banks, law enforcement and the SBA will be critical. There are steps that can be taken by the government to reduce the risk of fraud and make banks more comfortable participating in the program.

Why are banks involved in this program at all?

Banks and other lenders are participating in this program at the request of the government. By leveraging the local and national footprint of the banking system, as well as the underwriting expertise of bank employees, the SBA hopes to get this money in the hands of small business owners as quickly as possible. Without the participation of the nation's banks, this process would take far longer because the SBA would have to review and assess each applicant. Under PPP, banks perform that function for the government at very low cost or no cost given the terms.

Will banks make money off this program?

This program is about helping small businesses and their employees. Banks are not participating in this program to make money, they are participating because they want to help the economy. The terms for these loans will allow some banks simply to break even given the significant resources they will have to devote to processing these applications. At the same time, we don't think any bank should be expected to participate in the program if they think they will lose money. Banks have their own obligation to maintain their safety and soundness.