

TO: NAW Direct Members

FROM: NAW Government Relations Team

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Update on Small Business Paycheck Protection Program

We have reported previously on the small business-focused Paycheck Protection Program in the CARES Act. NAW and our association colleagues have been urging the Treasury Department and Small Business Administration (SBA) to get this loan program activated as quickly as possible – and more quickly than the SBA traditionally moves. Thursday evening the SBA finally released an “Interim Final Rule” implementing the PPP, and the program went live yesterday (Friday, April 3rd). (More on that below.)

To recap, PPP is a loan program for employers with fewer than 500 employees. The loans can be provided by any SBA-approved lender and are forgivable to the borrower to the extent that the company retains payroll. The maximum loan is 2.5-times the employers’ average salary, up to a maximum of \$10 million, for a term not to exceed 10 years. There is very good information on the full details of this program available from several sources, links below.

If you have not already shared this information with your small-business customers, you might consider doing so. It is anticipated that the funds for these loans will not be adequate to meet the demand, so early applications are advised.

The application and information for borrowers are available here:

- Paycheck Protection Program Application Form - <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Application-3-30-2020-v3.pdf>
- Paycheck Protection Plan Information Sheet for Borrowers - <https://home.treasury.gov/system/files/136/PPP--Fact-Sheet.pdf>
- SBA’s Paycheck Protection Program Overview - <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>
- Simplified application - <https://www.sba.gov/document/sba-form--paycheck-protection-program-borrower-application-form>

Report on the launch of the program:

As we reported earlier in the week, banks which were expected to process loan applications raised serious alarms that the program would not be ready in time for an efficient launch. Since the Interim Final Rule implementing the program was not released until the evening before the loan program “went live,” their concerns were well-founded.

Senator Marco Rubio, Chairman of the Senate Small Business Committee, who co-wrote this part of the CARES Act, said in a video released yesterday that “The eagle has landed.” But the Senator tempered his positive comments with this caution: “It’s important for a little patience and a little honesty ... We have to make this work. It isn’t going to be a smooth ride because this is not something we have ever done before.”

According to reports on how the process was working late yesterday afternoon, more than a little patience was needed. As *Politico* reported in a story headlined *Small business bailout woes*:

Websites crashed, phones jammed and confusion reigned as small businesses rushed at today’s kickoff to get their chunk of the \$350 billion Paycheck Protection Program.

By the numbers: Thus far today, the program has resulted in 6,820 loans totaling \$2.2 billion, the Small Business Administration’s head tweeted this afternoon. ‘Borrowers are waiting for their money but the banks’ hands are tied because they can’t get into the SBA’s portal,’ Paul Merski, who heads up government relations for one of biggest community bank advocacy groups, told Axios ...

60% of banks have not previously participated in SBA lending programs, he notes. Some banks and lenders, like Wells Fargo, said they wouldn’t be ready to accept applications today [Friday]. Others, like Bank of America, initially said they made the decision to only take customers who had previously taken out a loan with them to speed up the process. After a slew of outrage, it subsequently said small businesses that did not meet this requirement could deal directly with bankers to submit an application ...

In a follow-up report this morning, *Politico* quoted a commercial banker who reported that:

'We worked late hours trying to internally review applications only to find out they would no longer accept the prior application. Desperate businesses are redoing applications. Underwriting is not well defined, banks are asking for varying, different supporting documentation, E-tran applications are backlogged. Billion-dollar banks are left with one or two individuals that even have access to process into the SBA.'

Despite the expected rocky start, the SBA and Treasury, NAW and our association colleagues, and policymakers on Capitol Hill are making every effort to make this program succeed and hope that the program will work more efficiently once the initial bugs are worked out.

The President today addressed one of the other major concerns: that the \$350 billion PPP fund will be quickly exhausted. The President tweeted: "I will immediately ask Congress for more money to support small businesses under the #PPPloan if the allocated money runs out."

And the prospects for quick action on a COVID-19-4 rescue bill were significantly improved yesterday when House Speaker Nancy Pelosi commented that unrelated political policy agenda items would most likely have to wait for a later time for action, signaling that bi-partisan legislation limited to addressing the immediate crisis was more likely than had previously been anticipated.

Many thanks—

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