



## After the PPP - Now What?

👉 [lending](#) [business customers](#) [pandemic](#)

**Summary:** Financial institutions that participated in the PPP should celebrate their successes. Yet, there are also some post-lending tasks to stay on top of.

There is a 40-pg Guinness World Records document explaining the definition of a waffle for waffle competitors. We know that bankers have enough documents to read these days, especially with the PPP, but, we found it interesting nonetheless.

Community financial institutions (CFIs) have done great work so far with the Paycheck Protection Program (PPP). Entrepreneur magazine reports that many borrowers have had better luck in accessing some of the nearly \$700B set aside for small businesses by working with smaller financial institutions (FIs). In fact, the SBA reports that 44% of all PPP loans were provided by institutions with assets under \$10B.

In Midland, TX, a landscaping and maintenance company was able to get its PPP loan funded within five days by working with a community bank where the business owner had an existing relationship.

In Salt Lake City, UT, Wells Fargo put a building contractor on a PPP loan submission waitlist. Instead of waiting, the contractor got the loan approved and funded within three days by working with a small credit union.

If you participated in the PPP, you should celebrate your successes. However, you will also want to stay on top of certain post-lending tasks.

**Evolving loan forgiveness requirements.** It is important to stay current on requirements for loan forgiveness. On June 3, Congress just passed the [Paycheck Protection Program Flexibility Act of 2020](#), which extends the forgiveness period from eight weeks to 24 weeks, lowers the payroll rule to 60/40 from 75/25, extends the payment deferral period to up to 10 months after the covered period ends and extends the program six months to December 31, 2020. Borrower certifications on loan forgiveness amounts are reliable, and the Small Business Administration (SBA) says it will review applications for forgiving loans of more than \$2M. Helping your customers through this process will help mitigate some of their stress and solidify your relationship.

**Current litigation.** Up to 80% of small business applicants didn't get funding in the first round of PPP, and some of them are unhappy enough to contact an attorney. Some FIs, including a community bank in TX, are facing claims that they gave preference to larger potential PPP borrowers. If your institution is tightening credit, as many CFIs are, determine and carefully document your parameters and credit decisions.

Other FIs are hearing complaints from borrower agents who are looking for lender fees. FIs which didn't execute a binding agreement with an agent before originating a loan probably won't face liability in these disputes, though asking borrowers to certify whether they used an agent is a better defense going forward.

**New funding opportunities.** The federal government may issue a third round of PPP funding that's available to an expanded list of borrowers. The Fed is expanding its Main Street Lending Program, and the SBA has given

guidance on selling interests in PPP loans. CFIs that balance customer needs with prudent credit decisions could have new opportunities to help their customers.

## DID THE LATEST JOB NUMBER SURPRISE YOU?

It sure surprised economists that thought it would be severely negative. Because of changing economic factors, now more than ever, it is important to credit test your loans from multiple perspectives. Learn more about [stress testing](#) today.

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