

With the funds for the PPP depleted as of today, as we hope for another tranche of the same amount or more to be approved by the government, here are some of the issues I have had to address with small businesses I deal with and **some of the recommendations I am making to those federal workers I am contact with.** I would love to know what everyone thinks. **All feedback is welcome in the comments**

1. Timing

The original goal was to get money into the hands of SMBs so they could retain employees. It is obviously cheaper to subsidize retained workers than for employees to go on unemployment. Unfortunately, because of the double whammy of the funding not being received for several weeks AND the continuing closure of businesses, SMBs were forced to layoff, furlough or fire employees. Very often they worked with employees, helping them go on unemployment in order for them to make as much if not more money that way

Because of this current status, even as companies receive the PPP funding they find themselves with the big problem of whether or not to bring employees back knowing that they wont be able to immediately open back up. *So they will be paying employees not to work with the fear, and this is the biggest problem, that the PPP money for payroll will run out before they are able to open up.*

SMBs that qualify would prefer to delay use of the money until their authorities allow for them to open up for business. It is critical for them to be able to use the money to cover the 8 weeks of payroll when they are open, knowing that for the vast majority of the companies their businesses will be down significantly. So they will need the 8 weeks of PPP money for payroll while open for customer

2. 25 Percent is not enough for non-payroll expenses

Its a fact that 25pct of total PPP money is rarely enough to cover non payroll overhead. As a result they find themselves in a catch-22, they dont have enough money to stay current with their bills for the time when they are allowed to open up

For the 2nd tranche to work, businesses will need to be able to use more than 25pct. Given that we missed the window that the money would allow their employees to be retained and not go on unemployment , this is not unreasonable.

3. Testing

Another issue that came up that I did not expect is that when employers attempt to hire people, while still closed, in an effort to replace those who have quit for other jobs, or left because they can make more from the increased unemployment levels, the legacy employees, even those who are getting paid not to work, and/or have left for other unemployment are saying they will not return because they are concerned that these new people may have the virus and could spread it through the company. This of course confirms the importance of testing as a key to getting businesses open

We need federal testing standards put in place, and most likely testing done by "Testers and Tracers", newly created federal positions that could amount to a million or more new jobs for people who are trained to do testing that helps the country open up and helps trace the history of any positive tests.

As part of the "Testers and Tracers" job creation program, there needs to be a hard expiration date so that this program doesn't extend into a draconian big brother like situation.

4. Independent Contractors getting PPP

There was a last minute increase in the paperwork required for Independent Contractors to be eligible for loans. This isn't a prima-facie problem, but it significantly extends the time it takes for banks to try to confirm and qualify the applicant. Anecdotaly it appears that many banks are choosing to make these loans a lesser priority and putting them behind bigger clients, creating obvious financial problems for ICs

5. Banks are understaffed

There is just no reasonable way to expect that Banks have enough personnel to deal with the volumes of applications. I don't know if there is a way around this (other than possibly going to an Over Draft Protection Program for the 2nd tranche).

As one owner told me, if all of these loans are fully guaranteed and banks truly are held harmless, why are they involved at all other than being a conduit for immediate funding ?

Why are they going through all these approval processes ? **Wouldn't a better use of resources be fraud determination after the fact?** Get the money into the economy and have the banks deal with those recipients they suspect of fraud rather than being arbiters of credit at the time of application.

What makes this even crazier is that is that if they average size loan is 200k, the average fee is 5%. 5% of \$350 billion is \$17.5 billion of risk free money that the banks will earn in TWO WEEKS.

Why is the treasury letting banks process these so slowly. For the 2nd tranche, if its also \$350 billion, another \$17.5 billion in fees will be made in a week or two. The treasury should be able to dictate what the banks do, when they process these, shouldn't they ? Given what is at stake with the economy, shouldn't the Treasury just tell the banks to fund first, audit for fraud later ?

6. Banking Remembers the Financial Crisis

Every bank i have talked to is terrified that all of these loans will be audited in 2 years and a new political climate will lead to them being nitpicked in those audits and actually losing a substantial amount of money. Despite the 17.5b in fees, they want it legally incorporated into the law that they wont be audited and face loses on these loans. The reality is that this request is very reasonable

7. Transparency and Communication

One of the most stressful aspects of the entire PPP process is the lack of feedback from banks. Once an application is placed, for many applicants the total amount of feedback can amount to not much more than an email or a voice mail. That is not only frustrating , its terrifying for businesses who have no idea what their future holds. There business is closed, they have no or little revenue, and the one hope of upside, the bank from which they can get a PPP loan has effectively ghosted them.

For tranche 2, banks should be required to list the name of the applicant, the amount applied for and date received, some sort of status for the loan and the date when the applicant should expect to hear bank from the bank.

This information should be available for everyone to see. Its only fair that all applicants know where they stand and be able to see other companies who are in the same position

If there are any banking laws that prevent, please let me know. Maybe they can be suspended and some common sense can be put in place hope this helps