

U.S. Senate Approves Additional Funding for Small Business Relief

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On Tuesday, April 21, the U.S. Senate passed the Paycheck Protection Program and Health Care Enhancement Act (the “Enhancement Act”), which is intended to, among other things, replenish the depleted funds for the paycheck protection program (“PPP”) and certain economic injury disaster loans (“EIDL” or “EIDLs”) that were appropriated in the earlier Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The Enhancement Act is anticipated to be considered in the U.S. House of Representatives on Thursday, April 23, and President Trump has expressed he will sign the Enhancement Act into law once it reaches his desk.

EXPANSION OF PPP LOANS

The CARES Act implemented PPP loans as a new Small Business Administration business loan program. These PPP loans are, at least in part, forgivable loans extended by financial institutions to eligible small businesses. They are available until June 30, 2020.

The CARES Act had initially committed \$349 billion in funds for PPP loans, but these initial funds were exhausted in mere weeks after the CARES Act’s passage. The Enhancement Act increases the amount authorized for PPP loans by an additional \$310 billion.

Furthermore, the Enhancement Act requires that at least \$60 billion in PPP loans be made by smaller financial institutions, specifically: (1) no less than \$30 billion in PPP loans must be made by insured depository institutions or credit unions with consolidated assets of at least \$10 billion but less than \$50 billion; and (2) no less than \$30 billion in PPP loans must be made by (a) community financial institutions (specially defined as certain development companies, community development financial institutions, minority depository institutions and certain nonprofits or economic development agencies) and (b) insured depository institutions or credit unions with consolidated assets of less than \$10 billion. These PPP loans have been criticized in the past few weeks for not reaching traditional “mom-and-pop” businesses that may lack pre-existing relationships with financial institutions extending PPP loans. By requiring that at least \$60 billion in funds be extended by smaller lending institutions, Congress is likely attempting to help these funds reach the smallest of small businesses in need of relief. However, it remains to be seen if many of these smaller financial institutions will be in a position to expeditiously extend PPP loans. Businesses in need of assistance should inquire with these institutions as to their plans to participate in the program.

INCREASE EIDL FUNDING

The CARES Act provides for grants of up to \$10,000 to be extended in connection with applications for EIDLs.

The Enhancement Act appropriates an additional \$10 billion for this EIDL grant program. In addition, small businesses engaged in agriculture and having no more than 500 employees are also explicitly made eligible for the EIDL program.

An additional \$50 billion is appropriated for Small Business Administration disaster loans like EIDLs. Both the additional \$10 billion for grants and \$50 billion for disaster loans are to remain available until expended.

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