

**Summary of financing programs: U.S. Small Business Administration - Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL), EIDL Advance, Federal Reserve Main Street Lending Program (MSLP), USDA Rural Development Guarantee Loan (CARES Act), and Pandemic-related Economic Impact Data**

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I. **Timeline**

- a. April 26 - Notice: PPP Resumes April 27, 2020 The SBA will resume accepting Paycheck Protection Program applications from participating lenders on Monday, April 27, 2020 at 10:30am EDT. [\(1\)](#) [\(2\)](#)
- b. April 25 – FDIC issued the Statement of Applicability to Institutions under \$1 Billion in Total Assets: [This Financial Institution Letter \(FIL\)](#) applies to all FDIC-supervised institutions. Ref: <https://www.fdic.gov/news/news/financial/2020/fil20050.html>
- c. April 24 — President Trump [signed](#) into law a \$484 billion measure that provides additional funding to further assist small businesses, workers and healthcare providers. This bill adds \$320 billion for the exhausted Paycheck Protection Program (PPP) with set-asides of \$60 billion for businesses without access to large financial institutions. Additionally, it includes \$10 billion for the U.S. Small Business Administration (SBA) to extend the Economic Injury Disaster Loan (EIDL) program. The bill also provides \$75 billion in funding for hospitals and \$25 billion for testing.
- d. April 23 — SBA [released](#) a summary of lenders participating in PPP, which helps small businesses keep workers employed amidst the pandemic and economic downturn. The initiative provides 100 percent federally guaranteed loans to small businesses through Dec. 31, 2020 for SBA 7(a) loans.
- e. April 23- To facilitate lending to small businesses via the SBA’s Paycheck Protection Program (PPP), the Federal Reserve on Thursday announced that it is working to expand access to its Paycheck Protection Program Liquidity Facility (PPPLF) for additional SBA-qualified lenders as soon as possible. Ref: <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200423b.htm>
- f. April 23 — The House of Representatives voted to [establish](#) a new committee to monitor implementation of nearly \$3 trillion in coronavirus relief measures, a step members said would safeguard the massive sums flowing to businesses, hospitals and individual taxpayers. The measure passed 212-182.

- g. April 22 - The U.S. Department of Treasury [released](#) guidance regarding the Coronavirus Relief Fund for state, local and tribal governments. It indicates that the funds may only be used to cover costs:
  - i. That are necessary expenditures incurred due to the public health emergency with respect to COVID-19;
  - ii. Were not accounted for in the budget most recently approved as of March 27, 2020 (date of CARES Act enactment) for the state or government; and
  - iii. Were incurred between March 1 and December 30, 2020.
  
- h. April 7 - The Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System (Federal Reserve), and Office of the Comptroller of the Currency (together, the agencies) issued an interim final rule on April 7, 2020, that allows banking organizations to neutralize the regulatory capital effects of participating in the Federal Reserve's Paycheck Protection Program Lending Facility (PPPL Facility).

Through the PPPL Facility, each of the Federal Reserve Banks will extend non-recourse loans to eligible lenders, including depository institutions, to fund loans under the Paycheck Protection Program. Ref.

<https://www.fdic.gov/news/news/financial/2020/fil20037.html>

## II. SBA - Paycheck Protection Program

SBA Puerto Rico (PowerPoint): <http://www.camarapr.org/TCI-2020/Alternativas-Financiamiento-COVID-19-PR-SBTDC.pdf>

[Frequently Asked Questions for Lenders and Borrowers](#)

[How to Calculate Loan Amounts](#)

Who Can Apply?

The following entities affected by Coronavirus (COVID-19) may be eligible:

- o Any small business concern that meets SBA's size standards (either the industry based sized standard or the alternative size standard)
- o Any business, 501(c)(3) non-profit organization, 501(c)(19) veterans' organization, or Tribal business concern (sec. 31(b)(2)(C) of the Small Business Act) with the greater of:
  - o 500 employees, or
  - o That meets the SBA industry size standard if more than 500

- Any business with a NAICS Code that begins with 72 (Accommodations and Food Services) that has more than one physical location and employs less than 500 per location
- Sole proprietors, independent contractors, and self-employed persons

## Loan Details and Forgiveness

The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Loan payments will also be deferred for six months. No collateral or personal guarantees are required. Neither the government nor lenders will charge small businesses any fees.

Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.

This loan has a maturity of 2 years and an interest rate of 1%.

If you wish to begin preparing your application, you can download a copy of the [PPP borrower application form](#) to see the information that will be requested from you when you apply with a lender.

[View a list of lenders participating in the Paycheck Protection Program by state as of April 23, 2020.](#)

## Lender Forms and Guidance

[Interim Final Rule](#) announcing the Paycheck Protection Program information as posted in the Federal Register. [Click here](#) to download.

[Interim Final Rule](#) announcing Additional Eligibility Criteria and Requirements for Certain Pledges of Loans for the Paycheck Protection Program. This information is being posted in advance of publication in the Federal Register. The official version will appear in the Federal Register. [Click here](#) to download.

[Interim Final Rule](#) announcing additional information on Promissory Notes, Authorizations, Affiliation, and Eligibility. This information is being posted in advance of publication in the Federal Register. The official version will appear in the Federal Register. [Click here](#) to download.

[SBA Procedural Guidance on Participation Sales](#) for Paycheck Protection Program Loans. The purpose of this Notice is to provide guidance to Lenders approved to participate in the Paycheck Protection Program regarding the sale of participating interests in PPP loans. [Click here](#) to download.

[Click here](#) to download the Paycheck Protection Program Lender Application Form.

[Click here](#) to view the Lender Agreement (Federally Insured Depository Institutions, Federally Insured Credit Unions, Farm Credit System Institutions) and enroll as a participating SBA Lender to make Paycheck Protection Program financing available to your customers.

[Click here](#) to view the Lender Agreement (Non-Bank and Non-Insured Depository Institution Lenders) and enroll as a participating SBA Lender to make Paycheck Protection Program financing available to your customers.

[Click here](#) to download the SBA Standard Loan Note (Form 147).

If you would like to submit loan authorization requests via our the online Paycheck Protection Lender Gateway, [click here](#) and follow the steps below:

1. Create an account on [SBA Connect](#).
2. Request authorization to the Paycheck Protection Lender Gateway by providing your FRS, FDIC, or NCUA number as well as your authorization number.
3. Proceed to the Paycheck Protection Program Lender Gateway to begin submitting loan authorization requests. Lenders who need assistance accessing SBA's E-Tran system may call our Lender Customer Service Line at 1-833-572-0502.

### III. Federal Reserve - Main Street Lending Program

The Federal Reserve rolled out a new \$1.2 trillion program to provide loans to midsize businesses. The intent appears to fill the gap between the PPP program and the larger corporate rescue packages. Its technically two programs (Main Street New Loan Facility and Main Street Expanded Loan Facility), each for \$600 billion. One facility is for new loans, while the other is for loan increases to existing loans. Here is what we know so far, which is entirely from [the term sheets of both programs](#).

- Eligible lenders are US depository institutions while eligible borrowers can have up to 10K employees and \$2.5 billion in 2019 revenue. Eligible borrowers must be US domiciled companies with the majority of their employees based in the US.
- Eligible Loans must have the following characteristics: a 4-year maturity with 1-year deferment of P&I; Adjustable rate of SOFR + 250-400 basis points; minimum loan size of \$1 million; and no Prepayment Penalty
- Maximum loan amounts are the lesser of either \$25 million or 4X 2019 EBITDA in the New Loan Facility, and the lesser of either \$150 million, 30% of the borrower's existing and committed but undrawn bank debt, or 6x 2019 EBITDA for the Expanded Loan Facility
- An SPV funded by the Fed will then purchase a 95% participation in these loans at par value with the originator retaining 5%. SPV gets the 1% origination fee, while the originator receives 25 basis points for servicing the sold portion.
- Borrower agrees to limits on compensation, stock repurchases, and capital distributions
- Meanwhile, the originating lender cannot use the monies to refinance their existing loans or cancel or reduce any existing lines of credit.
- Expires on September 30, 2020.

The Main Street Lending Program is perhaps the most unprecedented step the Federal Reserve has taken so far. To our knowledge, the Federal Reserve does not generally take true credit risk. They take liquidity and pricing risk, but they generally purchase, guarantee, or lend against relatively safe assets. This represents a radical departure as the program appears to be geared towards struggling companies.

The Eligible Borrower must “attest that it requires financing due to the exigent circumstances presented by the coronavirus disease 2019 (“COVID-19”) pandemic.” And the programs require these loans to be new money. Companies struggling with COVID-19 that need new money are likely using the money for defensive purposes (i.e. working capital). Not too many of these companies are buying new equipment, buildings, or making acquisitions.

So, both the loan purpose and the terms represent investments essentially by the Fed in workout credits. These appear to be projection loans based on the idea that the Borrower’s business environment will return to a pre-COVID-19 environment. Bankers [are scratching their heads trying to understand the Fed’s intent.](#)

#### **IV. Rural Development - Business and Industry Guaranteed Loan Program**

In the CARES Act, Congress appropriated \$20.5M in program level; supporting up to \$1B in lending authority for the B&I Guarantee Loan Program.

Program would provide:

Increased maximum allowable repayment terms to 10 years. Loan repayment may be deferred on principal or principal and interest payments for a period up to 12 months from the loan closing and may extend for a period up to 3 years.

Eligible loan purposes include payroll costs, healthcare benefits, salaries, principal and interest payments, rent/leases, utilities, inventory and supplies.

Notice of Funding Availability at OMB clearance, target release *late April.*

#### **V. Pandemic-related Economic Impact Data**

A variety of data, dashboards and monitoring tools for economic impact data are being identified. Please see some early suggestions below; we’ll report on additional ones soon.

**Federal Reserve Bank of St. Louis:** A [dashboard](#) for monitoring economic conditions in the U.S. economy, with a focus on the impact from the COVID-19 pandemic. See also, Federal Reserve Economic Data (FRED®) Blog, [“Tracking the U.S. economy and financial markets during the COVID-19 outbreak: Use FRED dashboards to monitor the economy”](#)

## **U.S. Census Bureau:**

1. [New COVID-19 Data Hub \(V1.0\)](#) with demographic and economic resources provides users demographic risk factor variables along with economic data on 20 key industries impacted by Coronavirus. Each data set can be displayed in different visualizations including maps. Also, it can be shared and available for download, and will be periodically updated.

2. On April 22, the Office of Management and Budget (OMB) gave the U.S. Census Bureau emergency 180-day approval to conduct a weekly Small Business Pulse Survey (SBPS) of small nonfarm single-establishment firms (1-499 employees) on the impacts of the COVID-19 pandemic. There are 940,588 target businesses with a known email address. The SBPS will cover this universe over nine weeks, and approximately 105,000 firms will be contacted each week, beginning the week of April 26th. The data will be published by industry sectors for the nation, states, and 50 largest Metropolitan Statistical Areas (MSAs). Census developed the SBPS as an experimental endeavor in cooperation with six other federal agencies: the Small Business Administration (SBA), Federal Reserve Board (FRB), Minority Business Development Agency (MBDA), International Trade Administration (ITA), Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA). The results will be available through the Census' [Experimental Data Products](#) site where the data will be represented in a user-friendly graphical format. Reported in [EconSpark](#), an American Economic Association (AEA) economics discussion forum.)

**Urban Institute's [State & Local Finance Initiative](#):** [State Economic Monitor](#) tracks and analyzes economic and fiscal trends at the state level. Its interactive graphics highlight differences across all 50 states and the District of Columbia in employment, earnings, housing, and state GDP. The [State and Local Finance Initiative](#) is an Urban Institute project in the [Urban-Brookings Tax Policy Center](#).

**Federal Reserve Bank of Philadelphia:** COVID-19 Equity in Recovery Series, "[What Small Businesses Will Be Impacted by COVID-19?](#)" As state governments start to consider reopening local economies, the resilience of small businesses is crucial for the recovery of our economy after this crisis. In order to access newly emerging lending resources, many small businesses will require targeted technical assistance to guide them through the disaster funding process. Quick and coordinated federal-state-local resources and technical assistance will be a key factor in saving at-risk firms.

## State data on business closures & reopening

Early data shown severe business disruption: <https://cdn.advocacy.sba.gov/wp-content/uploads/2020/04/24155054/Small-Business-Facts-Early-Pandemic-Data.pdf>

**Closure of Nonessential Business Spaces:** At least 38 states, Guam, [Puerto Rico](#), the U.S. Virgin Islands and the District of Columbia have implemented statewide or territory-wide closures of nonessential business spaces: AK, AL, AZ, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, KS, KY, MA, MD, MI, MN, MS, MT, NC, NH, NJ, NM, NV, NY, OH, OK, PA, RI, TN, TX, VT, VA, WA, WI and WV.

At least nine states and the Commonwealth of the Northern Mariana Islands have required some closures of nonessential business spaces: AR, IA, LA, ME, ND, NE, OR, SC and WY. Missouri, South Dakota and Utah have issued guidance on closures of nonessential business spaces.

**Reopening Plans & Task Forces:** At least 38 states and [Puerto Rico](#) have created reopening plans or task forces: AL, AR, CA, CO, CT, DE, FL, HI, IL, IN, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NH, NJ, NY, OH, OK, OR, PA, RI, SC, TN, TX, UT, VA, VT, WA and WI.