



## PPP Funding Ran Out in 14 Days. Round 2 Could Go Even Faster

With thousands of applications at the ready, banks say the approval process for Round 2 should be swift.

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By **Diana Ransom** *Features editor, Inc.* [@dianaransom](#)



Jovita Carranza, administrator of the U.S. Small Business Administration. GETTY IMAGES

Congress is on the verge of passing a [new \\$470 billion stimulus deal](#)--with another \$370 billion earmarked for popular small business funding programs--and it's not a minute too soon.

The new package is expected to add about \$310 billion to the [Paycheck Protection Program](#) (PPP), a loan program run directly through lenders and specifically designed to help small employers fund payroll costs. The program's initial [\\$349 billion allotment was exhausted after just 14 days](#). The new round of funding would also add \$60 billion to a separate emergency loan program for small businesses, the [Economic injury Disaster Loan program](#) (EIDL), which is administered by the U.S. Small Business Administration. Another \$100 billion is expected to help fund hospitals and coronavirus testing.

While the replenished funds undoubtedly will be helpful for businesses that have been hard hit by the pandemic and unable to secure Covid-19 financial relief, this next tranche is expected to go quickly--perhaps even outpacing the first round.

### Banks Say They're Ready

The exact timing of the deal's approval is unclear--Congress is expected to act early this week. When it does, it shouldn't take long for businesses to kick back into gear, says Paul Merski, group executive vice president of congressional relations and strategy at the Independent Community Bankers of America, a small-bank trade organization.

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"I know one bank that got roughly 5,000 applications and was able to get 2,000 approved, so it already has 3,000 PPP applications in hand and ready to go when and if there's additional funding," says Merski.

Indeed, plenty of banks including Republic Bank, an SBA lender in Philadelphia, are still accepting and processing loans from both existing and new customers, although they can't submit them yet for approval. Republic Bank has secured 2,000 approved PPP loans totaling a combined \$400 million.

Capital Bank, N.A., based in Rockville, Maryland helped 597 small-business PPP applicants get SBA-backed federal aid totaling over \$173 million. And its CEO in a statement on Monday noted that it's girding for more.

"We of course hope Congress approves additional PPP funding so we can help even more small businesses secure the aid they desperately need," said Edward Barry, "but we are elated to have been able to help this enormous number of applicants successfully get through the SBA's process and obtain PPP loans."

## **The Race to Get in on Round 2**

That's welcome news for business owners, who were unable to land funding the first time around. Self-employed business owners had even less time to vie for funds, as their PPP loan application wasn't even available until April 10. They weren't the only ones left out. The country has some 30 million small businesses. The SBA has approved only [1.6 million PPP loans](#), and it's still unclear how many have applied thus far.

To be sure, not every small business is facing coronavirus-related financial hardships. And not every small business is an employer. But the EIDL program—that is the SBA lending facility designed for companies that don't necessarily have workers—was oversubscribed six-fold by the time the SBA stopped accepting applications, says Ami Kassir, the founder and CEO of MultiFunding, a small-business loan adviser based in Ambler, Pennsylvania. He estimates that \$400 billion in loans have already been requested from the EIDL program, which had been funded at \$10 billion.

When the program was first created, small businesses had the opportunity for an immediate advance of \$10,000, which, according to the SBA, would be disbursed within three days. As the volume of loans quickly depleted the program, that advance amount dropped to just \$1,000 per employee.

What's more, if this next batch of funding is anything like the last one, the funds will be exhausted in a matter of days. "In the last couple days of the first tranche, you could have a burn rate of \$40 to \$50 billion a day," says Merski.

Congress is expected to allot \$60 billion for smaller banks--those with \$50 billion in assets or less--this time around, so that should help companies in rural locations and those located in historically economically distressed communities get funding.

"Community banks do half of all the small business lending in the country and they're located in the rural areas as opposed to the money center banks," says Merski "J.P. Morgan Chase doesn't have a loan office or officer in Greeley [Center], Nebraska."