

Congress Expands Support to Small Businesses

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Original post [here](#).

On April 23, the U.S. Congress passed [emergency legislation](#) to appropriate an additional \$310 billion for the Paycheck Protection Program (PPP), \$50 billion for Economic Injury Disaster Loans (EIDL), and \$10 billion for EIDL Emergency Advances. Congress created the PPP and EIDL Emergency Advance programs on March 27 in the [CARES Act](#).

The PPP began operating on April 3 and exhausted its initial \$349 billion in funding by April 16. The emergency legislation brings its total funding to \$659 billion. Despite the increased funding, [lenders are calling for more](#) as they anticipate that the new appropriations will be exhausted in a matter of days.

Unlike the [original CARES Act](#), the new legislation earmarks a portion of the funds for smaller financial institutions. It sets aside \$30 billion for depository institutions and credit unions with between \$10 billion and \$50 billion in consolidated assets and \$30 billion for those with less than \$10 billion in consolidated assets. It appears that the \$60 billion for community, small, and mid-sized banks is designed to target smaller businesses that do not have pre-existing relationships with larger commercial lenders.

Under the PPP, lenders extend forgivable loans to small businesses. They may use the funds to cover eight weeks of payroll expenses and other eligible expenses, such as mortgage interest, utilities, and rent. The Treasury has not changed its guidance on the use of the loans. The government will forgive the loan on the condition that a business uses at [least 75% for payroll](#) expenses.

Between April 3 and 16, the [SBA guaranteed](#) approximately one million loans. The overall average loan size was \$206,000. Many small business owners have [complained](#) that lenders prioritized larger borrowers and their existing customers. All but two of the top 15 lenders had average loan sizes greater than the overall program average, and the largest lender by total approved dollars had an average loan size of \$515,000. Still, 74% of the loans made to date were \$150,000 or less.

The EIDL program offers loans of up to \$2 million to small businesses affected by COVID-19. [Payments](#) on the loans are deferred for one year. As of [April 20](#), the SBA had approved nearly 27,000 loan applications worth a total of \$5.6 billion. Media [reports](#) indicate approximately 4 million businesses have applied. The SBA has [stopped](#) accepting new applications and said they were processing the applications already submitted on a first-come, first-served basis. The April 23 bill appropriated an additional \$50 billion to the loan program. The bill also expanded eligibility to agricultural enterprises, which had previously been eligible for PPP but not EIDL funds.

SMEs that apply for EIDLs are also eligible to receive additional support in the form of an [Emergency Advance](#) of up to \$10,000. The initial March 27 law allocated \$10 billion for these advances that effectively serve as grants and do not need to be paid back even if the loan application is not approved. However, if the SME receives a PPP loan, the amount of the loan that is forgiven will [be reduced](#) by the amount of the advance. On April 23, Congress extended

the program by \$10 billion. As of [April 20](#), the program had made over 750,000 grants worth a total \$3.3 billion.

The bill also makes an additional \$2.1 billion available for SBA salaries and expenses until September 30, 2021, to be used for COVID-19 related activities. For comparison, the SBA's most recent [budget request](#), issued before the crisis, was for \$819 million.