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My primary bank won't accept my PPP application because I don't have a business account with it. What should I do?

Many banks have limited applications to customers with preexisting relationships. Under the program, banks must conduct due diligence on small businesses' applications, and banking industry officials have said that the process is easiest with companies they already know well. That led to complaints from some small businesses that they were being crowded out of the program by larger companies with extensive ties to big banks. Many, but not all, smaller community banks and credit unions are accepting applications from new customers. Also, the new funding bill includes \$60 billion for lenders with less than \$50 billion in assets, giving small community banks a carve-out the industry has said will help them serve smaller companies.

My bank never responded to the application I filed before the initial \$349 billion was exhausted. Should I apply again?

Nearly 80 percent of the small businesses that applied for a loan were still waiting for an answer as of April 17, the day after the program ran out of money, and many didn't know where they stood in the process, according to the National Federation of Independent Business. Banks have said they process loans on a first-come, first-served basis, and many continued accepting applications after the program's initial funds were exhausted. Small-business owners should check with their banks to determine where they stand in the process.

What costs will the new loans cover?

The new loans will cover payroll costs, employee benefits, mortgage interest incurred before Feb. 15, rent and utilities under lease agreements in force before that date, and utilities for which the service began before February. At least 75 percent of the loan must go to payroll, according to a regulation published April 2. Payroll costs include salary wages, commissions and tips capped at \$100,000 for each employee. It also includes benefits for vacation, parental leave, medical leave, sick leave and some other limited benefit categories. The Program excludes sick and family leave that also qualifies for certain Internal Revenue Service tax credits, according to an April 6 fact sheet from the Treasury Department. The Treasury Department directs borrowers to calculate their payroll for purposes of the loan program without including federal taxes. You should not include payments your business makes to independent contractors or subcontractors, because the Treasury Department directs them to apply separately. The new loans apply to costs incurred from Feb. 15 to June 30, although that time period can be adjusted for businesses with especially seasonal income.

How do I prove that my business needs a loan?

The new loans are available to any business for which “current economic uncertainty makes the loan necessary to support your ongoing operations,” according to an SBA fact sheet. Your lender will determine whether you qualify without a separate SBA review, although the SBA will check to see whether you have already received one. Under the Program, borrowers are allowed to attest to their own need for a coronavirus aid loan. The Cares Act suspends a normal requirement that SBA borrowers must be unable to obtain credit elsewhere. Borrowers are expected to self-certify “in good faith” that they actually need the loan, “taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business,” according to Treasury Department guidance release April 23. In a possible reaction to news reports of large restaurant and hotel chains receiving SBA loans, the Treasury Department clarified Thursday that large publicly-traded companies with access to other credit sources will probably not qualify. The SBA retains the right to audit borrowers. “It is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith, and such a company should be prepared to demonstrate to SBA, upon request, the basis for its certification,” according to the Treasury Department. It is also likely that well capitalized businesses will continue to receive increased scrutiny from the public if they decide to apply for these loans.

What sort of thing could disqualify me?

The SBA disqualifies businesses that are “engaged in any activity that is illegal under federal, state or local law.” You will be excluded from the program if any of your company’s owners have been suspended, debarred, proposed for debarment or declared ineligible, are involved in bankruptcy proceedings or have previously taken a small-business loan that caused the government to incur losses, according to the Treasury Department’s application form. Businesses involved in illegal gambling activities or the sale of cannabis are considered categorically ineligible for the Paycheck Protection Program, according to SBA officials. Businesses that receive a limited amount of legal gambling revenue are eligible, however. Felony convictions exclude you only if it happened within the past five years, according to the Treasury Department.

What if the money runs out again?

Some banking-industry officials have warned that this could happen. After the initial \$349 billion was exhausted, many banks continued to process applications that they plan to submit once the program receives more funding. Industry officials have said they expect the money to be spent faster this time, potentially in just a few days, since so many applications will be submitted at once. Also, kinks in the program that slowed the application process initially have largely been worked out, which banking officials say should also speed the process. If that happens, it will be up to Congress to decide whether to provide the Paycheck Protection Program even more funding.

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