

Bankers to small businesses: Don't do these things if you want to qualify for SBA loan relief program

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By Monday morning, the [U.S. Small Business Administration](#)'s Paycheck Protection Program had already approved \$38 billion in loans to businesses with fewer than 500 employees.

That number was up from \$22 billion as of Sunday morning, when 1,900 lenders had processed 78,000 PPP loans. Thousands of additional lenders are about to come online starting Monday.

Based on the Sunday numbers, on average, a bank has processed 41 applications with an average small business check of \$280,000. Also, on average, each bank has processed about \$11.5 million in loans.

These loans carry a 1 percent interest rate, and they are designed to keep workers employed for eight weeks. A borrower can ask the SBA to forgive the loan and the interest if workers are not laid off. The program has a \$10 million limit per customer.

While community banks account for the majority of the 1,900 lenders that have processed PPP applications, interest from big banks customers are setting new records. On Monday, Bank of America (NYSE: BAC) confirmed it has received more than 177,000 requests for more than \$32 billion in financing. That's an average of about \$180,000 for every small business that applied.

On Sunday, Wells Fargo & Co. (NYSE: WFC) said it has reached "its capacity of \$10 billion to lend under PPP."

[Steve Jones](#), chief executive officer of Dogwood State Bank, one of North Carolina's newest community banks, said the bank has processed about 300 applications since Friday totaling about \$80 million for an average of about \$267,000 per borrower. "We are here to help the business community in need," Jones said.

The American Bankers Association, the trade organization that represents the country's financial institutions, estimates that the SBA is approving some \$1 billion in loans every hour. At this rate, the program could be out of money in the next few days.

[Jim Hansen](#), regional president for Pittsburgh-based PNC Financial Services Group (NYSE: PNC) says ever since the bank opened its PPP portal on Friday, tens of

thousands of applications have streamed through the system. "We appreciate how patient our customers have been as we continue to work with them," he said.

But small business owners who believe they can qualify for the the massive \$349 billion relief program need to be careful about how they go about filling out their application.

[Larry Barbour](#), chief executive officer of [North State Bank](#) in Raleigh, said the bank already has submitted 189 customer applications with the SBA for about \$21 million. "We expect to do more and those numbers are likely go up substantially, especially since we are a SBA certified 7(a) lender," Barbour said. "We will probably end up doing about \$50 million to \$60 million."

Based on conversations with bankers and industry observers, these issues are coming up over and over again for lenders.

- **Do not apply at several banks:** One borrower should only have one application with one lender. If the borrower has several businesses under the same controlling ownership, that's a different story. The beneficial ownership requirements will be approved by the lenders and could be reviewed by the SBA at a later date but for now, one company, one loan.
- **Incomplete submissions:** They will delay processing your loan. While lenders are going in with customized processes, several banks have already set up a system that kicks back the application to a banker when the form is incomplete, even if the online portal notifies the small businesses that the application has gone through. Banks are likely to contact small businesses for additional details which obviously will delay the loan process.
- **You cannot use IRS 1099 workers as your employees:** While this may not be an issue in the front-end when applying for the loan and calculating the relief amount, it may become an issue when small businesses are asking for the loan forgiveness down the road. Double-check your payroll calculation and total number of employees. On April 10, the SBA will allow independent contractors and self-employed individuals to apply for the loan relief program. Typically, those entities file their taxes using 1099 forms.
- **Do not start new entities and apply for a loan:** Because the PPP program allows businesses to separately apply for a loan for every business where a person/persons may have a beneficial ownership. The law has a cutoff date – Feb. 15. All entities under one beneficial ownership must have been an active business by that February date.
- **Sum of your holdings cannot go past 500 employees:** This provision is complicated. Hotels and restaurant chains are exempt from this rule, and late last week the SBA added franchise owners who employ more than 500 people to that exemption list as well. The only caveat: No single outlet could employ more than 500 people. For every other business, the 500-worker maximum number is in play.

- **Don't miscalculate:** Complete your own calculation ahead of time to make sure you borrow as much as you qualify for the PPP relief. Remember that in the event some of your loan is not forgiven in the final calculation, it will end up being a 1 percent loan for a few years — still not a bad deal.

[Brian Reid](#), the Triangle market president for Virginia-based TowneBank, said the bank is busy attending to their clients with the PPP program since the online portal was opened on April 3.

"We have some 175 people working diligently with our customers and the SBA to move this process along and get the loans to the small businesses," he said.