



March 3, 2021

WHAT YOU NEED TO KNOW ABOUT

The PPP Program Relaunch

PRO POINTS

- **President Joe Biden is overhauling the massive Paycheck Protection Program**, an emergency small business relief plan that has provided more than \$660 billion in forgivable loans to 7 million employers during the Covid-19 outbreak.
- **The changes Biden announced are aimed at ensuring that the latest round of aid is available to underserved businesses**, including minority- and women-owned firms, that policymakers fear have missed out on the program.
- **On Feb. 22, the president said the Small Business Administration will only allow businesses with fewer than 20 employees to apply for PPP loans from Feb. 24 through March 9.**
- **The SBA is also revising the rules so that sole proprietors, independent contractors and self-employed individuals can qualify for larger loans.** In addition, the agency is relaxing restrictions for borrowers with criminal records and student loan delinquencies.

HOW WE GOT HERE

The PPP has been one of the most popular Covid-19 relief programs, largely because the loans it provides can be forgiven if businesses maintain their payroll. But concerns have dogged the program since its initial launch last spring that the smallest, hardest-hit businesses — especially those owned by people of color and women — haven't benefited. Part of the concern is tied to these businesses' lack of relationships with banks responsible for processing loan applications.

Biden campaigned on a promise to address inequities in the economy, and the latest PPP changes reflect that pledge. In announcing the revamp, Biden emphasized the disproportionate impact that the pandemic has had on communities of color. He framed the policy changes as a way to make sure that the hardest-hit employers have an easier path to obtaining government assistance. "One of the things I've heard again and again from small business owners ... is that knowing about support is one thing," he said. "Getting it is another."

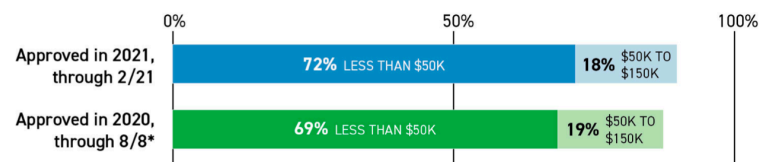
According to a survey by Facebook and the Small Business Roundtable released in February, the closure rate for small businesses in majority- minority neighborhoods is 36 percent, compared to 22 percent for businesses in non-minority neighborhoods.

Smaller loans account for most of PPP approvals

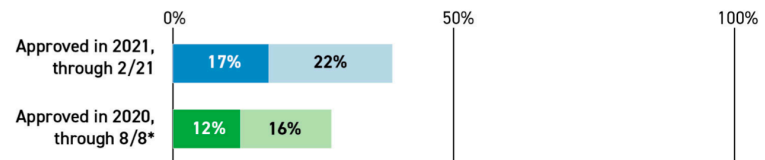
Most PPP loans approved have been for under \$150,000, though most funding has gone to loans for more than that amount.

Loan approvals, categorized by size of loans

PERCENTAGE OF APPROVED LOANS



PERCENTAGE OF NET DOLLARS



*The program temporarily expired, starting on Aug. 8, 2020
Source: Small Business Administration



WHAT'S NEXT

There is real doubt about whether Biden's plan will have a significant impact — and it may be difficult for the administration to even know for sure because of big gaps in PPP data.

Lenders responsible for processing loan applications don't expect that the two-week window for tiny firms will do much to increase access to the program. Already, 81 percent of PPP loans this year have gone to businesses with 10 or fewer employees. Top lenders Bank of America and Customers Bank say that more than 90 percent of their loan volume has gone to employers with fewer than 20 workers.

PPP demand overall has slowed from when it first launched. As of Feb. 21, the SBA had approved \$140 billion in loans in 2021, less than half of the more than \$284 billion that was available when PPP restarted Jan. 11.

Biden's decision to increase the size of loans for sole proprietors has also created controversy because the SBA will not make the change retroactive. Business owners who already received loans say they're now being penalized for tapping the program early.

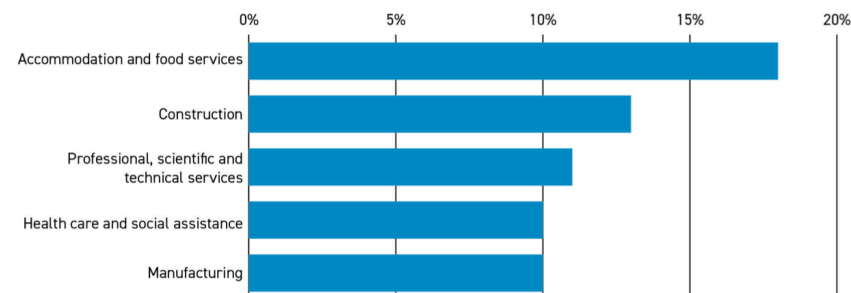
Further, Biden and key Hill Democrats have not taken a position on whether the PPP should be extended to allow businesses to take advantage of the rule changes after its lending authority expires March 31.

The SBA may not know for sure what impact the changes had on the demographic distribution of small business aid. Nearly 74 percent of PPP recipients this year declined to report their ethnicity and 58 percent did not reveal their gender.

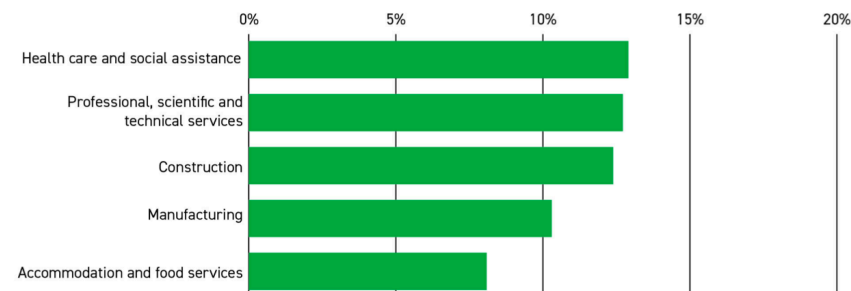
Accommodation, food services lead PPP loans in 2021

PERCENTAGE OF APPROVED LOANS BY SECTOR

Approved in 2021, through 2/21



Approved in 2020, through 8/8*



*The program temporarily expired, starting on Aug. 8, 2020
Source: Small Business Administration



POWER PLAYERS

- **Isabel Guzman:** Biden's nominee to lead the SBA is awaiting Senate confirmation. Guzman is a former SBA deputy chief of staff and most recently served as director of California's Office of the Small Business Advocate.
- **Bharat Ramamurti:** The deputy director of the National Economic Council is one of the top White House officials overseeing the revamp of small business relief under Biden. Ramamurti, a former aide to Sen. Elizabeth Warren, focuses on financial reform and consumer protection issues at the White House.
- **Michael Roth:** While Guzman awaits Senate confirmation, Roth has played a lead role in overhauling the PPP as a senior adviser at the agency. Roth joined the SBA in January from small business finance firm Next Street.