

PPP Changes Trip Up Small Businesses

Some worry about keeping SBA loans made to help them stay afloat through coronavirus pandemic; 'this is a classic bait-and-switch'

By Ruth Simon and Peter Rudegeair
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On-the-fly rule changes are bedeviling small-business owners who got government-backed loans meant to keep them afloat [during the coronavirus shutdown](#).

Around three-quarters of the \$670 billion loan program has been allotted, and some business owners approved for loans are [wading through a thicket of rule changes](#) to determine whether they still qualify.

The Treasury Department and the Small Business Administration have issued nine “interim final rules” and more than 40 pieces of guidance in the form of “frequently asked questions” since the program’s April rollout. The most recent updates came last week, after more than four million loans totaling over \$500 billion had been approved.

Treasury Secretary Steven Mnuchin said Monday that the government was looking at [additional technical fixes](#) to the program. Small businesses and lenders are still awaiting guidance that will be used to determine [whether and how loans are forgiven](#).

Some lenders have approved loans only to find the borrowers ineligible for government backing days later. Borrowers that have received loans are weighing—in light of new rules—whether they can keep the money.

“The common statement you hear in the industry is that we are building the plane as we fly it,” said Tony Wilkinson, chief executive officer of the National Association of Government Guaranteed Lenders, a trade group for lenders that originate SBA loans. “I sympathize with the borrowers who think the rules have been changing midstream, because they have.”

An SBA spokesman said the Paycheck Protection Program is an overwhelming success. “SBA and Treasury are quickly providing guidance in response to the needs of borrowers and lenders, resulting in over four million loans approved for more than \$500 billion to America’s small businesses in just over five weeks’ time,” he said in a statement.

The confusion surrounding the rule changes is the latest hitch in the program, which provides forgivable loans to small-business owners that spend the money on payroll and some other

expenses. Congress allocated an additional \$320 billion for PPP loans after an initial \$350 billion in funding ran out weeks after the program launched.

Some small-business owners say they were puzzled when the Treasury Department tightened eligibility guidelines [in response to criticism](#) that money intended for mom-and-pop businesses was instead going to the owner of the Ruth's Chris Steak House chain and the [Los Angeles Lakers](#).

When the program started in early April, borrowers simply had to certify that economic uncertainty "makes this loan request necessary to support the ongoing operations of the Applicant." Then, late last month, government officials said it was unlikely that public companies or private firms with adequate sources of liquidity could make that certification in good faith. Days later, Mr. Mnuchin said the Treasury [would do a full review of loans](#) over \$2 million.

Richard Forrestel Jr., treasurer of Cold Spring Construction in Akron, N.Y., plans to return the \$2.2 million PPP loan his 110-person, family-owned construction company received in late April.

Cold Spring, which specializes in road and bridge work, hasn't lost any business because of the pandemic, but Mr. Forrestel fears that New York could cut back on construction to balance a budget ravaged by the pandemic. "This is a classic bait-and-switch," Mr. Forrestel said of the PPP changes. The company's expenses have increased because of new safety precautions, he said.

Asia Orangio, CEO and the sole employee of DemandMaven, an Atlanta marketing firm, called her attorney and business advisers after the stricter guidance on need came out to determine whether to return her \$10,000 PPP loan from Silicon Valley Bank.

Ms. Orangio said she is still being paid by current customers, but the "well has gone dry" for business leads.