

# PRIORITIZED PAYCHECK PROTECTION PROGRAM ACT

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## **PROBLEM: Businesses hardest hit by the COVID-19 pandemic are still in dire need**

The COVID-19 recession has affected industry sectors to widely varying degrees. More than half of American workers in the arts, entertainment, and recreation industry lost their jobs between February and April, and nearly half of those in accommodation and food services lost their jobs. Other sectors have seen flat or only modestly declining employment. The Paycheck Protection Program (PPP) has delivered liquidity – more than \$511 billion -- to more than 4.5 million struggling businesses and nonprofits across the country, with up to 500 employees in most cases and over 500 employees in others.

For small businesses in hard-hit industries, however, PPP has not yet provided enough support to retain or rehire employees to a great enough degree, in part because the shutdown has lasted longer than anticipated when PPP was developed and public health protections have delayed a full reopening of many businesses. That has left employers with the most severe losses, especially smaller-sized employers with limited reserves and access to credit, struggling to survive and recover from the pandemic. We learned from the Great Recession that the economic recovery is not shared equally. Without targeted measures, economic disparities will continue to grow. That is why this legislation targets the hardest hit smaller firms and underserved communities that have historically been left behind.

## **SOLUTION: The *Prioritized* Paycheck Protection Program, or “P4” Loan**

The bill authorizes new lending under PPP. P4 loans, a subset of PPP, are for borrowers that are self-employed or have 100 or fewer employees that have demonstrated a revenue loss of 50% or more due to the pandemic compared to a relevant period. Borrowers must have fully used an initial PPP loan or be on pace to use the funding. Specifically, P4 loans:

- May be as large as 2.5-times monthly payroll costs, just as under initial PPP loans, but may not be any larger than \$2 million. (Affiliated businesses with separate locations may pursue separate P4 loans, but in aggregate the loans may not exceed \$2 million.)
- Allow borrowers to apply for forgiveness as early as eight weeks after the loan is disbursed and they have fulfilled payroll requirements, rather make them wait until the earlier of 24 weeks or December 31, which needlessly increases the cost of the loan as interest accrues, tying up money that could be deployed for paychecks.
- Are not available to publicly traded companies.
- Except as otherwise mentioned, are subject to the same terms, conditions, and forgiveness criteria as initial PPP loans.
- Provide lenders a minimum processing fee of \$2,500 per loan (PPP and P4) to ensure lenders do not lose money by processing small-dollar loans or cherry pick larger loans.

To increase access to P4 assistance to underserved businesses, the bill reserves the lesser of \$25 billion or 20% of PPP funds for employers with 10 or fewer employees, along with priority processing of P4 loans for such firms, harmonized with priority processing for underserved and rural borrowers. The bill also requires SBA within five days to issue guidance, as required by the CARES Act, which instructs lenders to give priority in loan processing and disbursement to underserved and rural borrowers, including veterans. It also requires SBA to update the PPP loan application to collect demographic information on PPP recipients.

## **IMPACT: Delivering support to endangered small businesses and nonprofits, quickly**

Other proposals have been put forward that establish new funds or new relief programs. Because of an infrastructure of 5,000-plus participating lenders, including Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) that focus on underserved communities, PPP is positioned to quickly deliver another round of relief in a matter of weeks.