

Cares Act 2.0 – Additional PPP And EIDL Funding And More

April 24, 2020

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On April 23, 2020, the U.S. House of Representatives passed the “Paycheck Protection Program and Health Care Enhancement Act” (Enhancement Act) which had been approved earlier in the week by the U.S. Senate. The same day, President Trump announced at his afternoon press conference that he would sign the legislation promptly. This legislation is an amendment to the CARES Act signed into law by the President on March 27. As you well know by now, the \$349B in initial Paycheck Protection Program (PPP) funding was exhausted in less than two weeks – leaving many small businesses out in the cold. It now appears that a number of larger businesses decided to run with small businesses in the footrace for the initial PPP funding.

Publicly Traded Companies Agree to Return PPP Funds

It has been recently reported that approximately 150 publicly traded companies collectively received almost \$600M in forgivable loans from the PPP – for an average loan size of about \$4M. In response, the U.S. Department of the Treasury publicly stated that it is “unlikely that a public company with substantial market value and access to capital markets” would be able to demonstrate that a government-backed loan was necessary for it to support its ongoing business and asked publicly traded companies to promptly repay the loans that they received from the PPP. Perhaps in an effort to stop the public perception bleeding, public companies such as Ruth’s Chris Steakhouse, Shake Shack and others have announced that they will be giving back their PPP funding. While receiving back all or a portion of such \$600M in PPP funding back will assuredly help more small businesses to receive the payroll funding that they need, it pales in comparison to the additional PPP funding being provided by the Enhancement Act.

What is in the Enhancement Act?

Increased PPP Funding – The Enhancement Act almost doubles PPP funding – adding another \$310B in funding commitments for a total of \$659B in PPP funding (including the portion already funded to businesses). Of the \$310B, \$30B is set aside for funding by mid-sized lenders with \$10B to \$50B of consolidated assets and an additional \$30B is set aside for funding by small community lenders with less than \$10B in consolidated assets. This is expected to be a significant benefit to small businesses who were lost in the shuffle in the first round of PPP funding after applying with larger national banks and will likely result in many small businesses turning to smaller lenders for assistance with PPP loans.

Doubling EIDL Grant Funding – The CARES Act provided \$10B in funding for EIDL grants – those emergency \$10,000 grants that were quickly paid out to small businesses applying for a loan under the EIDL program. That funding was quickly depleted. The Enhancement Act adds an additional \$10B in EIDL emergency grant funding authorization for the SBA.

Additional EIDL Loan Funding – The Enhancement Act adds an additional \$50B in committed funds for loans under the EIDL program through the SBA.

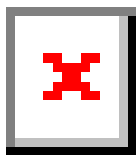
Agricultural Enterprises Qualified for EIDL Loans – After previously being excluded, businesses engaged in the production of food and fiber, ranching, and raising of livestock, aquaculture, and all other farming and agricultural related businesses with 500 or fewer employees are now qualified to apply for EIDL loans including the \$10,000 emergency EIDL grant.

Additional Hospital Funding – \$75B in additional funding is provided to prevent, prepare for, and respond to coronavirus, domestically or internationally, for necessary expenses to reimburse eligible health care providers for health care related expenses or lost revenues that are attributable to coronavirus and that are not otherwise reimbursable from other sources.

Funding for Testing – \$25B is available for necessary expenses to research, develop, validate, manufacture, purchase, administer, and expand capacity for COVID-19 tests and related supplies, including testing both for active infection and prior exposure. Not less than \$11B of this amount is reserved for States, localities and tribal organizations.

Final Thoughts

If you are a small business owner and you intend to apply for a loan under the PPP, our recommendation is that you apply as quickly as possible as it is likely that – with currently pending PPP applications already in the queue – the additional \$310B in funding will go just as fast as the first tranche of PPP funding. We have heard that many smaller businesses have had better success applying through and receiving PPP funding from smaller lenders, including community banks.



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