

Paycheck Protection Program: *Implementation Update*

Advocating for Small Finance Companies

Bureaucracy is usually used as a negative for a reason. The Paycheck Protection Program (PPP) was set up under the existing Small Business Administration 7(a) lending program, and many of the old rules were carried over into the new program. For some ELFA members, the continuation of the exclusion of small finance companies has been especially painful. As a reminder, the PPP is the program that provides funds to certain types of small businesses to help cover their payroll during mandated government closures. ELFA has been pushing hard to get small finance companies into the program, but it is an uphill climb. We are now shifting to a legislative strategy because the funds for the program are drying up, and our push with the regulators is proving difficult. A significant amount of ELFA members have been working directly with their elected federal representatives to advocate for inclusion and we will keep our efforts up through our direct advocacy as well. If you are interested in getting involved, please reach out to [Andy Fishburn](#) or [Chelsea Neil](#).

PPP Funding Levels

As of the publishing of this newsletter, there is a high stakes game of political chicken going on regarding providing additional funding for the PPP. Projections are that the amount of funds appropriated for this program (\$350B) will run out as early as this week. Republicans have pushed for an additional round of funding to be passed as a stand-alone measure. Democrats have been pushing for funds to be included to provide funds for hospitals. It's a little mind-boggling to understand why a deal can't be reached that would provide assistance to both sympathetic categories, but that is the state of affairs in the body politic right now and with everything needing to be unanimously passed to avoid having Members of Congress returning to Washington and congregating in potentially unhealthy manners, the basic arithmetic of already having an overwhelming majority to pass something becomes complicated calculus quickly.

Non-Bank Lenders

The Paycheck Protection Program (PPP) provided opportunities for non-bank lenders to participate as lenders, provided they are approved by the Small Business Administration. [This process](#) was announced late last week.

Presuming that the program gets another round of funding, ELFA members that may be interested in applying for this program should only do so with their eyes wide open. The provisions that require a Bank Secrecy Act (BSA) compliance program equivalent to that of a regulated entity are not only rigorous, they are also ambiguous because the BSA requirements were developed for regulated entities, and most of these regulated entities have developed robust compliance structures over years.

Rental Payment

Something that falls in the probably good news category is that the Treasury Department seems to have agreed that funds that companies do receive from the PPP can be used to pay at least some equipment lease payments. There's still a requirement to use most of the funds for payroll (likely 75%) but this was something that ELFA had pushed for clarification on, and we got a window into how the Treasury would view this in their [rules regarding what sole proprietors can use the funds for](#). The rule indicated that the funds could be used for rent that one pays for "the vehicle you use to perform your business." This seems to lean towards rent paid on personal property under a lease agreement, which argues for ELFA's position that these funds should be able to be used for lease payments. ELFA members working with customers who want to use their PPP funds for these purposes, could certainly point their customers to these rules so that they can consult with their own counsel and financial advisors with these arguments in hand.

Main Street Lending Program

Later today, ELFA will be submitting comments to the Federal Reserve Board (FRB) to encourage them to include small finance companies in the Main Street Lending Program that the FRB announced last week. This is especially important for those small finance companies that are not eligible for the PPP. The concerns around this program center around the EBITDA ratio contained within the rules, that might limit the amounts available to finance companies due to their naturally leveraged status.

Congressional Links

To access House and Senate information on committee hearings or your Members of Congress, go to the [ELFA Advocacy Grassroots Network page](#).

Federal Government Relations

www.elfaonline.org/advocacy/

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