

The Stimulus Bill has Passed: Hear Senator Chris Coons Discuss Small Business Provisions



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**Senator
Chris Coons**

Full transcript

Gene Marks:

Hey everybody and welcome to the Paychex Business Series Podcast. This is Gene Marks and today I'm going to be talking with Senator Chris Coons of Delaware. Senator Coons, he was elected to the Senate in 2010. He currently serves on a bunch of committees but most importantly, the Senate Small Business and Entrepreneurship Committee. Senator Coons was instrumental in building the recent stimulus bill that passed and a specific section of it that relates to Section 7(a) loans.

There was this loan program that you guys got to know about because it is available to any existing business and it is offering forgiveness of up to six months of your principal and interest when you get a new loan with the Small Business Administration through September of 2021. And if you have existing loans, it's going to give you forgiveness of your principal and interest payments as well. So if you're looking for SBA loan financing, this is an unbelievable benefit and it's all because of the new stimulus bill. Senator Coons is going to be talking about that with us specifically, and we'll be back in a minute to talk with him. Okay, Senator Coons, thank you very much for joining me and congratulations on getting the stimulus bill finally passed. First of all, you have been working on this bill since June of this year, is that true?

Senator Chris Coons:

Gene, a number of us have been working for months and months to try and get to a framework that can pass the House and the Senate. I'm really grateful for the partnership of a number of my colleagues. The part of this that has been the most functional and bipartisan revolves around small business, small business lending through the paycheck protection program and small business debt relief, and that is a truly robust part of the bill that we've just passed in the Congress. There are many other provisions but that was the most positive experience I've had, is working across the aisle to have finally pull together another round of relief that should be worth more than \$300 billion to small businesses and nonprofits all over our nation.

Gene Marks:

Yeah, I agree. And it's funny as I was talking about this bill all throughout the summer and the fall, because there's been talk about it, obviously since you've been working on it. The small business provisions were never one that always had bipartisan support. It was all this larger parts of this bill that were more contentious. So I'm glad to see that it got through and happy that'll be helping a lot of businesses. Senator Coons, let's drill down on one part of this bill that I know is very near and dear to your heart. And that has to do with Section 7(a) loans. First of all, can you explain to us what this new bill will mean for people borrowing, who have existing loans from the small business administration or thinking of getting new SBA loans?

Senator Chris Coons:

Well, gene, if you have an existing 7(a) or 504 loan from the SBA, the debt relief provision that I wrote that was in the CARES Act is going to be extended. So you get at least three additional months of debt relief payments for a small business with an SBA backed loan. If you're in one of the underserved or hardest hit sectors, so restaurants, bars, hotels, gyms, salons, dry cleaners, you can get five months of extended debt relief. And if you don't yet have an SBA loan, but you apply for one through September of next year, you can get up to six months of debt relief. So waived fees, higher guarantees, and six months of payments by the federal government. That's, I think, been one of the most successful parts of the CARES Act.

It's already delivered eight billion in support automatically to 320,000 small businesses all over the country. They didn't have to do anything extra, they didn't need to apply, they didn't need to meet some tests. It simply was the federal government paying their debt service. That directly helped 900 small businesses in Delaware, and these typically are businesses that would have had a harder time weathering the downturn because just by the virtue of the fact that they got an SBA loan to begin with, means they were having difficulty getting a loan through, what? A traditional underwriting process in a commercial bank. So I think that small business debt relief program, although it is a small part of the overall program, it'll be another three and a half billion dollars worth of debt relief in the coming year.

Gene Marks:

So let me just make sure that I've got this straight. If you have an existing SBA loan, and this is either a Section 7(a) loan or a micro loan under the 504 loan program, you're going to automatically get forgiven three months of those payments, that's principal and interest.

Senator Chris Coons:

Yes.

Gene Marks:

And if you're in a more harder hit sector and you mentioned restaurants, there are a bunch of them that are part of the harder hit sectors, you're going to get an additional number of months that will... How many months would be forgiven?

Senator Chris Coons:

Five more for a total of eight.

Gene Marks:

Wow, that is amazing. And that's for existing people with loans. Now, between February and September 30 of 2021, if you don't have an SBA 7(a) loan or a micro loan or 504 loan, and you apply and you receive one, your first six months will be forgiven of your six months of payments I think up to \$9,000 per month. Is that correct?

Senator Chris Coons:

Correct.

Gene Marks:

Why was this such a big thing for you specifically? I know you were a part of this in the original CARES Act, and I'm curious as to why this really was something that you were passionate about.

Senator Chris Coons:

Look, I knew the SBA was going to be really challenged, really strained to be able to push out the size of the PPP program that we created. And I thought this debt relief program, which was an idea really brought to me by David Brown who works with me, was an opportunity both to provide fast, automatic targeted relief to SBA loan holders, and to give an opportunity for SBA staff partnering with local banks, community banks, regional banks, national banks that are often SBA lenders to clear the decks and allow them to handle the PPP portfolio, which did require a higher degree of engagement and work. So, I think overall it worked out very well.

Gene Marks:

Yeah. In the past bankers have sometimes complained that even though the federal government is backing the SBA loans, there's still the paperwork that they have to go through. And because of that paperwork and the due diligence, it becomes less profitable for them to do, and sometimes they find less motivating to follow through with the SBA loan program. What are you hoping that banks do as we move forward with this, the provisions of the stimulus bill?

Senator Chris Coons:

First, I'm hoping given their experience in the CARES Act, that they will recognize this is a wonderful opportunity to help people to win new customers, to focus their lending and underwriting teams on meeting the needs of their community, and frankly, to generate revenue by moving a significant number of loans. In Delaware, we had a lot of experience trying to coach and connect and engage our lenders. And I mean, from the smallest and most community-based and connected lenders to some of our country's very biggest companies literally from Community Bank to Bank of America and the JPMorgan Chase.

They turned around, very quickly responded to the vagaries of changing direction and a guidance from SBA and got a lot of loans out in ways that I think really made a difference and helped folks keep their head above water. My only regret in this is that we didn't get the second round of PPP out in June or July or August. There was a real impasse between the House and the Senate, Republicans and Democrats over some other issues. But now the bill has been passed, we've got nearly 300 billion moving and I'm excited about the ways in which that'll help sustain or revive businesses that have really had a hard time getting through this pandemic and the recession that resulted.

Gene Marks:

I agree. From the date that the bill was passed, they're giving... The bill has given the SBA 10 days to come up with the rules around some of the particulars in the bill. Do you think that we might see a repeat of... I mean, Senator Coons, you've seen this, we've had all of these frequently asked questions, interim updates, rules revisions since the original PPP. Do you think we're going to be seeing that again, or do you think we'll hopefully be a little bit more... We can avoid some of those issues?

Senator Chris Coons:

Gene, I'm really hoping that the senior leadership at SBA learned from the experience of the CARES Act that making decisions quickly, sticking to them and then offering guidance that's reliable is really important for being successful. In Delaware, we've benefited from a very dedicated and engaged staff who did open calls, regularly were responsive, but frankly, on some of the guidance issues I heard frequently from people who were trying to decide what to do, whether or not to take idio loans or grants, whether or not to apply for and get PPP loans and grants, that the confusion early on was really quite difficult. Given that the guts of these proposals have been well known to SBA for months, I'm hoping that they're going to be able to meet that fairly ambitious timeline of 10 days to final guidance.

Gene Marks:

Yeah. I agree with you. I mean, really this is just an extension of a lot of the provisions that have been there really since the end of March. So the idea here is that there will not be as much confusion as last time. Couple more questions and I'll let you go. Getting back to the 7(a) loan, the forgiveness of the principal and interest, also for the micro loans as well. When it comes to Section 7(a) loans, Senator Coons, the paycheck protection program loans are... I think they're actually considered to be 7(a) loans. So if you have a paycheck protection loan, can you also apply for an additional Section 7(a) loan or 504 loan and take advantage of these loan forgiveness provisions?

Senator Chris Coons:

I think the answer is yes, but I am not certain.

Gene Marks:

Fair enough.

Senator Chris Coons:

That's a question I should ask David to research and make sure that I'm correct about that.

Gene Marks:

Yeah. I'm going to be getting a lot of questions about that, and I'll make sure that I investigate that too. But that's definitely... That's going to be an issue that will come up. Then finally, regarding the SBA itself, part of your requirements that you wrote into this bill is that the SBA is going to be required to put program information on its website and conduct outreach to its borrowers and report monthly to Congress and educate lenders. What are your expectations that the SBA will do to get the word out? And I'll tell you the reason why I asked this is that, when I speak to business owners in Delaware and Philadelphia and around the country, and I tell them about this provision, most of the business owners I talked to, who are absolutely qualified for this type of loan are unfamiliar with it. It's like the word doesn't seem to get out. So what more could the SBA be doing to get the word out?

Senator Chris Coons:

That's right, Gene. I was somewhat frustrated that the SBA did not successfully engage and educate a lot of the beneficiaries of the small business debt relief provision. I spoke to many businesses in Delaware who had gotten that relief but didn't realize that it had anything to do with the CARES Act or why. The bank told them they didn't have to make payments for a couple months, and many of them were so busy keeping their businesses alive. They didn't go back and ask questions about it.

Senator Chris Coons:

I do think that the SBA now understands the ways in which this can help them expand their relationships with lenders, expand their market share as it were, and expand their engagement, their credibility, and their reach. And I am optimistic they'll take advantage of this opportunity. But earlier this year pressed them to pump out five million loans in a very short period of time. And the small business debt relief provision allow them to compliment that with a simple but robust relief program for their existing borrowers, without an application process. I would urge them, and I have urged them, to recognize it, to celebrate it, to advocate for it more, and I'll certainly be doing everything I can and I appreciate your efforts to make sure that folks in the Philadelphia region are aware of this program.

Gene Marks:

Yeah, I definitely will be doing the same. Finally, Senator Coons, there's no requirements under these provisions for getting a loan to show that you have been impacted by COVID. I mean, you mentioned before that there are some businesses that if they were more harder hit can get an extension of more months forgiven for their existing loans. But if I'm running a business right now and I'm doing okay, or I had a good pandemic, or I've been profiting this year and I can still apply and get forgiveness of six months on a new loan. What are your thoughts on that? There's going to be some people that will say, well, that's not really fair and this should be really made available to just those businesses that were specifically affected by COVID, kind of like what the new round of PPP is requiring.

Senator Chris Coons:

Well, that's a reasonable question. I do think that one of the benefits of having debt relief that is automatic is that you're targeting some assistance to businesses where you already know that they're smaller, that they're more likely to struggle, that they weren't bankable without an SBA loan, but they have made it through a review and an underwriting process.

Overall in the CARES Act as a whole, and in this particular provision, we have made choices a couple of times to recognize that we're sending money out that is more broadly distributed than only the specifically identified individuals or families or businesses that cannot survive without it, because we don't have the staff at SBA to go through a competitive review and analysis process for every single loan holder. I would rather make sure that we've got liquidity and support for small businesses and have a few cases where a company takes on another loan or receives some debt relief. Then go in the other direction and see dramatically more businesses fail and people go out of work and businesses close because we are going through a painful long review and application process.

Gene Marks:

All right. Well, final question is, you've worked really hard on this, so what are you doing for the holidays?

Senator Chris Coons:

Going home and seeing my family.

Gene Marks:

Senator Coons, thank you. That was all the information that I need. Like I said, will be speaking to you, I'm sure again, in the future and again, thanks for all the great work you've been doing.

Senator Chris Coons:

Thanks, Gene. Appreciate the chance to talk.

Gene Marks:

If you need more information about the SBA loan program, just go to sba.gov, apply for a Section 7(a) loan or for 504 loan as well a micro loan. You can get up to six months of your principal and interest completely forgiven for a new loan, and if you have an existing loan, you can get your interest forgiven for up to eight months depending on the industry that you're in. So please do that. Again, Senator Coons, thank you so much for joining us. My name is Gene Marks. For more information to help you run your business, please go to paychex.com/worx, W-O-R-X, and we will be back to you next time.