

How This New Round of Paycheck Protection Program (PPP) Loans is Helping Businesses in Underserved Areas

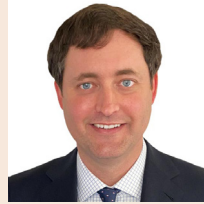
PAYCHEX
Business
Series

Coronavirus



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Full transcript

Gene Marks:

Hey everyone, this is Gene Marks. Welcome back to the Paychex Business podcast. I've been speaking with Thad Inge actually about some of the opportunities that are available for any businesses that are located in low to moderate income areas. There is a definition for that, that I would like to share. It's a low income area means a census tract, wherever you're located. As reported in the most recent census that's published by the Bureau of the Census, there's a poverty rate of at least 20% or in which the median family income does not exceed 50-80% of the area around you, the statewide or metropolitan median family income.

Gene Marks:

To translate that into English, say you've got a business in Philly, because that's where I live, and you've got a business in North Philadelphia. Well for starters, the poverty rate there is definitely 20%, so you're in an LMI. Let's say you're in another area of Philly, like say West Philadelphia, and in your area the median family income in that area is anywhere from 50-80% of what it is in the suburbs for example. Well, then you're in a low to moderate income area.

Gene Marks:

Now, how do you know that for sure based on your address and whatever? You don't. You've got to talk to your lender. This is going to be something I believe that the banking community, the SBA lenders, are going to have to get well familiar with because Thad, it's going to be tough sort of validating where these businesses are located. Don't you agree?

Thad Inge:

Yeah, I think that's one of the outstanding questions, is how is that going to work exactly. Obviously, banks are sophisticated, SBA is sophisticated. So, I think they'll be able to do it just based on the address. It does add sort of a new element to the applications, or at least a review of the applications for these PPP loans.

Gene Marks:

The whole reason why this got brought up and why there's such a focus on these LMIs, these low moderate income areas, is that all the data shows that the first round of PPP and the stimulus, a lot of businesses that are in these LMI areas were really ignored. They didn't get the money they needed, and they were really, really hurting. They kind of got other businesses in non-low to moderate income areas got ahead of the line and got the money before a lot of it ran out. So, that wasn't good.

Gene Marks:

On this next round of stimulus, this new legislation, there are like specific set asides for these businesses because the government wants to make sure that the banks are getting the money out to these businesses. I don't know how relevant this is, Thad, but I'm going to ask you anyway. Do you have some notes on what the set asides are for starters?

Thad Inge:

Yep, I do. First, I'll just say if you think about the mission of SBA lending, and sort of why the agency exists, it's really to fill gaps in the credit markets and provide access to capital for businesses that otherwise aren't able to get it because of gaps in the market. It's at the core of the mission, but sometimes in practice that becomes hard, especially with something like the PPP program where everybody in the country sort of had a shortage and needed funds.

Thad Inge:

This is a more targeted approach where they've said, "All right, how can we make sure that those that really need the money the most, those that have these gaps and are in these underserved areas, that the funds are reaching them?" One of the ways they did it, for the PPP program there was \$284 billion allocated in this last stimulus bill. What they did was create sort of carve-outs or set asides where they said, "At least this amount needs to go to these different buckets." For the LMI loans, the census track areas that you talked about, they have \$15 billion set aside for PPP loans, and then an additional \$25 billion set aside for that second round of loans, those coming back for a second loan. That's a pretty significant chunk.

Gene Marks:

I'm going to jump in there and just clarify, because that's absolutely correctly. If you haven't gotten a PPP loan, there's \$15 billion set aside for you for those loans. Like Thad just said, an additional \$25 billion has been set aside for those that got a first loan, but now they want to go for a second loan. Guys, I also have to just make sure we're clear on this, the banks are getting a list of requirements from the SBA. They're going to have to report back to the SBA on how they're spending the government's money, and they will be held accountable for the fact that they're spending it on these low and moderate income businesses.

Gene Marks:

It's going to be a close eye, and I guarantee the media is going to be keeping a close eye on this too. So, it's important. Thad, I'm sorry to interrupt you. You were about to say something more?

Thad Inge:

No, that's very helpful. I agree. I think this is one of the areas that got a lot of attention the first time around. So, people are going to be really scrutinizing this, making sure that the folks that really needed these loans were able to get them. Another thing that they're doing, and we saw this week when the lending opened on Monday for sort of a first round loan, and then on Wednesday for those second rounds, is they're targeting institutions that serve underserved communities. So, CDFIs, CDCs community development companies, these are the sort of mission-based local lenders that serve underserved areas.

Thad Inge:

Micro lenders were also part of that. They got to go first. They got to start offering PPP loans on Monday, and they had \$15 billion that was set aside for them. Then you also had another \$15 billion that was for really small lenders, small credit unions, farm lenders, some different institutions that also got a \$15 billion set aside. There's a whole array of lenders. You've got fintech obviously, you've got big banks, you've got community banks. You also have these other nonprofit type lenders that really focus on reaching these communities, and so they tried to make sure there were carve outs for them as well.

Gene Marks:

Thad, I have to say something. I literally just wrote a piece about this for The Guardian, which will probably be out by the time this podcast is published, but a little tough love here guys. If you are located in a low to moderate income area, there is a lot of funding available for you. They're making it a priority to get this money out to businesses in those areas. What you have to get to do... They're not going to knock on your door. Nobody's going to come to your home. You've got to step up, and you have got to take action to make sure you can take advantage of this stuff.

Gene Marks:

So, you want to look for mission-based community lenders in your area, community development financial institutions, CDFIs, certified development companies, CDCs, minority depository institutions, they are called MDIs, and even SBA microloan. Google those for your whatever area you're at and you will find that these companies, these organizations are flush with money from the government and they're looking to lend it out. Not only that, but these organizations have resources, education, consultants that will help you through the process as well.

Gene Marks:

So, don't ignore this. Please, take advantage of it. I will now get off of my soapbox. Thad, one final thing before I let you go, we had a conversation separately about the Economic Injury Disaster Loan program, but that program again, it's loans through the Small Business Administration, but there're special grants for businesses in low to moderate income areas. Can I ask you to revisit that?

Thad Inge:

Yep, and they call them the Idle Advance Grants. Essentially, it's \$10,000.00 that a business could go get very quickly. The idea was kind of to hold them over until other funding came through. The first time around, there was a huge surge and demand for that, and it got a little messy. It took longer than folks wanted it to. So, for the second tranch of money that came through for idle loans, they have prioritized those in low income communities. You can get the full \$10,000.00. If you only got \$3,000.00 last time, you can come back for the full amount. Essentially, you'll be first in line and be prioritized to make sure you get that idle advance.

Gene Marks:

That's excellent. Again, you're going to apply for those advances on the SBA's website, which is SBA.gov. Great information, Thad. Fantastic. Before I let you go, anything else to add about businesses in low to moderate income areas? I know we sort of covered it all.

Thad Inge:

Yeah, I don't think so. It's just knowing what your options are and finding out what the best fit is, and finding a lender that can help you through the process. As you said, some of those mission-based lenders and communities, they have counselors, they have resources to help folks get these loans.

Gene Marks:

They do. One final thing I will add, I'm a certified public accountant and I can tell you that your state accounting society, your Tennessee Society of Accountants, or New York Society of Accountants, you can Google for your state accounting associations or societies. They provide volunteers to help businesses, particularly in low to moderate income areas. Many of these societies have resources that will help you go through the application process to get the money that you need.

Gene Marks:

Again, there are people out there who want to help, and there is a lot of money available for you if you're in a low to moderate income area. Please, please take advantage of it. There are a lot of people that are relying on you and depending on you to do that. Thad Inge is a Senior Manager of Government Relations for Paychex. Thad, as usual, you're awesome. Thank you for all your great information. For more information on running your business through the pandemic and beyond, please visit us at [Paychex.com/WORX](https://www.paychex.com/WORX).

Gene Marks:

My name is Gene Marks. Thanks for joining us now, and we look forward to seeing you again in the future.

Speaker 3:

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