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Payment Protection Program Update

For business owners unable to secure Payment Protection Program (PPP) funding from the initial relief package, the opening of a second round of funding on [Monday, April 27](#) brought good news. An additional \$310 billion was authorized by Congress along with a recommendation that businesses apply quickly based on the experience of allocating previous funds. Many business owners and lenders had applications ready to submit based on previous PPP submissions which may prove helpful as [some industry experts believe](#) funds could be allocated within the week.

The PPP is a Small Business Administration (SBA) loan program resulting from the CARES Act and is designed to apply to small businesses with a maximum of 500 employees. It functions on a first-come-first-serve basis and enables businesses to apply for a loan of up to 2.5 times their monthly payroll costs, with a maximum of \$10 million. In the first round of funding, businesses applied for the nearly \$350 billion in loans exhausting the program in [less than two weeks](#).

Distribution of initial PPP relief funds brought to light challenges of access and opportunity faced by small businesses. Some recipients of the first PPP assistance included large chain restaurants with thousands of employees, [raising criticism](#) that the program overlooked smaller restaurants and businesses. As a result, the new funding has implemented additional accountability measures and the [SBA advised](#) that all borrowers should consider the loan certification requirement that "current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant."



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Concerns remain, however, that this guidance does not change the formal rules of the program and does not prevent large companies from seeking relief. Backlash from the initial funding efforts have prompted several companies such as [Ruth's Hospitality Group](#), [Potbelly](#), the [Los Angeles Lakers](#), and the Shake Shack to take measures of good faith and return previously allocated funds. Randy Garutti, CEO of Shake Shack, [shared](#) he will "immediately return the entire \$10 million PPP loan we received ... to the SBA so that those restaurants who need it most can get it now".

In support of additional funding efforts, the Treasury Department has worked to broaden access to PPP loans. On the lender side, a provision of the new funding measure ensures that [\\$60 billion](#) is set aside for community banks and smaller credit unions. Specifically, \$30 billion of the \$310 billion will go to credit unions and lenders with less than \$10 billion in assets, and the other \$30 billion to institutions with between \$10 billion and \$50 billion in assets. This effort is intended to widen the net for small businesses, increasing the opportunities for local companies who do not have an existing credit line or loan with a large bank.

For more information on PPP, its guidelines, and how to calculate a loan amount, visit the [SBA's PPP website](#).