

# THE WALL STREET JOURNAL.

## Mnuchin Supports Changes to Small-Business Aid Program

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By Amara Omeokwe and Paul Kiernan, May 11, 2020

WASHINGTON—Treasury Secretary Steven Mnuchin said Monday that the government will look to make fixes to help restaurants and others participate in the \$660 billion small-business aid program, a move that could help ease some of the criticism surrounding the program.

The Paycheck Protection Program's forgiveness requirements mandate borrowers spend 75% of the loan on worker salaries, and for the forgivable amount to be spent over an eight-week period. That has drawn objections from many business owners who say they need more money for rent and other overhead costs and from industries that remain mostly closed, as mandated by state regulations.

The National Restaurant Association, for example, has suggested the period should begin at least three weeks after applicable state restaurant closures are lifted.

Mr. Mnuchin signaled Monday that he would be open to some program tweaks.

"One of the things we're particularly sympathetic to are the restaurants," Mr. Mnuchin said in an interview on CNBC. "Many of the restaurants are just beginning to open up and have said that they'd really like to hold the money. They can't do that; that's not something we can do. But we'll look at a technical fix."

The National Restaurant Association said it welcomed Mr. Mnuchin's comments, saying restaurants need more flexibility in use of the loans.

"As currently structured, the PPP creates an unworkable structure for the vast majority of restaurants. As states begin lifting their stay-at-home orders, it will take some weeks—or months—for restaurants to ramp up operations and restock inventory, recruit and retrain staff, comply with new health codes, etc.," said Sean Kennedy, the group's executive vice president of public affairs.

Small-business advocates, lawmakers and small firms themselves have been pushing for federal agencies to issue additional guidance on the program's forgiveness requirements, and for more leniency in the terms.

"Proposals that offer greater flexibility and improve the utility of the PPP would certainly be welcome by business owners," said Kevin Kuhlman, vice president of federal government relations at the National Federation of Independent Business.

"Small businesses definitely want more flexibility on the forgiveness requirements, especially because we are more than a month into the program and we still don't have forgiveness guidance," he said.

The calls for clarity on forgiveness guidelines come amid a ticking clock for some large, publicly traded companies to return loan funds they received through the Paycheck Protection Program.

The Treasury Department has said large companies with access to other sources of capital are unlikely to meet the requirement that program applicants need the loan to support ongoing operations. Treasury has said firms that determine they misunderstood this requirement may return the loan money without penalty up until Thursday.

Some business owners, meanwhile, fear that absent further guidelines from the Treasury Department and the Small Business Administration, they may not meet qualifications that allow the loans to be forgiven and end up with a payment.

Dave Levin, owner of Mad River Coffee House in Campton, N.H., said he received an \$82,000 PPP loan two weeks ago, but he would need to hire five more employees to restore his payroll to pre-pandemic levels, a requirement to have the loan forgiven.

Mr. Levin, hasn't yet decided to fully spend the money, thinking there probably isn't enough work for five more people in the coming summer months.

"I should be required to be staffed properly for the business that's coming in the door, not for the business that was happening pre-pandemic," Mr. Levin said. "I have six more weeks before I have to make the decision and perhaps by then the rules will be changed or be written."

Sen. Jeanne Shaheen (D, N.H.) is among lawmakers who have been pushing the agencies to issue comprehensive forgiveness guidelines, including what documentation

borrowers will need to provide and how they should calculate what payroll expenses are eligible for forgiveness.

In a letter sent May 8 to the Treasury Department and Small Business Administration, Ms. Shaheen said the Cares Act required the administration to issue guidance on the program's forgiveness terms within 30 days of the law's enactment.

"However, it has now been more than 40 days," Ms. Shaheen wrote, "and guidance regarding eligibility for forgiveness of PPP loan funds is virtually nonexistent."

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— Dave Levin, coffee shop owner

The Treasury Department is working with Congress on additional guidance, which it plans to soon release, according to an agency representative. Treasury also pointed to forgiveness information it has included in documents on its website dealing broadly with various facets of the Paycheck Protection Program.

The uncertainty over forgiveness terms and the requirement that 75% of funds be spent on payroll expenses are among the reasons demand for the loans has cooled. The 75% requirement for payroll expenses also came under criticism from an SBA Inspector General's report Friday, which noted that the Cares Act passed by Congress didn't mandate any specific amount be dedicated for payroll expenses.

The SBA told the Inspector General that it introduced this requirement "in light of the act's overarching focus on keeping workers paid and employed."

Sen. Marco Rubio (R., Fla.), chairman of the Senate Small Business Committee and a key architect of the Paycheck Protection Program, has said the Cares Act included provisions for forgiveness flexibility for small businesses that aren't able to immediately hire back workers.

"But we need guidelines, we need guidance specifically on that topic from Treasury so businesses can be sure of it," Mr. Rubio said in a video posted to Twitter last week.

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