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ECONOMY

PPP Covid-19 Small-Business Aid Reopens With 60,000 Loans

First wave of applications is largely handled by community and small lenders after SBA set aside time for them to act exclusively



Dellwood Pharmacy in the St. Louis area is seeking a second PPP loan after receiving \$16,000 from the program in June.

PHOTO: REBECCA MAWUENYEGA

By [Amara Omeokwe](#) and [Ruth Simon](#)

Updated Jan. 19, 2021 7:48 pm ET

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Roughly 60,000 borrowers were approved for more than \$5 billion in forgivable loans during the first week of the reopened Paycheck Protection Program, the Small Business Administration said Tuesday.

The small-business coronavirus relief effort relaunched Jan. 11 after closing last August. The first wave of applications was largely handled by community and small lenders after the SBA set aside time for them to process the loans exclusively.

The program's restart comes as many small businesses continue to struggle with the fallout from the pandemic. One-third of small businesses surveyed between Jan. 4 and Jan. 10 said they would need financial assistance or additional capital in the next six months, according to the Census Bureau, up from nearly 25% in mid-November.



Rebecca Mawuenyega of Dellwood Pharmacy said the PPP made it possible for her to retain a four-person staff.

PHOTO: REBECCA MAWUENYEGA

“It’s encouraging to see that kind of volume go out the door, especially knowing that it can only go up from here,” said John Lettieri, chief executive of the nonprofit Economic Innovation Group. But small businesses have waited for a long time for that lifeline and some that could have been salvaged have failed, he said.

The average PPP loan size was below \$20,000 for first-time borrowers and below \$75,000 for second-time borrowers for applications processed through Jan. 17, according to an

SBA spokesman, a sign the loans were being approved for smaller businesses. Loan amounts are based on the size of an applicant's payroll.

The average loan size was \$206,000 during the program's initial launch last April and was \$101,000 at the program's close last August.

"There seems to be a healthy demand," said Galen Gondolfi, a spokesman for Justine Petersen, a nonprofit group that operates a community development financial institution, or CDFI, in St. Louis. It received about 150 inquiries and applications from borrowers seeking PPP loans in the first week.

The applicants range from day-care operations to hair salons to mom-and-pop retailers, with roughly three-quarters of would-be borrowers seeking their second PPP loan. Nearly 75% of the \$14.8 million PPP loans the CDFI originated last year went to small businesses owned by people of color.

The SBA and Treasury Department limited participation in the reopened program's first four days to community lenders, such as CDFIs and minority depository institutions. Lenders with less than \$1 billion in assets joined Friday, and all lenders were able to process PPP applications starting Tuesday.

It was part of an effort to ensure that the 2021 program reached minorities, women, veterans and underserved communities, after criticism that these groups struggled to access the program when it first opened last April. The PPP program is scheduled to accept applications until March 31.

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Rebecca Mawuenyega, the owner of Dellwood Pharmacy in metropolitan St. Louis, is applying for her second PPP loan, after receiving \$16,000 from the program in June. Revenue fell more than 40% last year, she said.

“Because the Covid numbers are going up, it’s happening again,” said Ms. Mawuenyega, who purchased the 13-year-old pharmacy in March, just as the pandemic was gaining a foothold. Money from the PPP allowed her to retain the pharmacy’s four-person staff, she said.

The PPP program approved more than five million loans totaling \$525 billion during its first run. Congress in December authorized the program’s reopening with \$284 billion in funding and allotted \$15 billion each for community lenders and small depositories to issue the loans. Congress set aside a portion of the overall funding for first-time borrowers, those with 10 or fewer employees and loans of less than \$250,000 in low-income areas.

The law also mandated second-time borrowers to demonstrate a 25% reduction in gross receipts in a 2020 quarter, a requirement lawmakers said was necessary to ensure that businesses truly in need received funding.

Darrin Williams, chief executive at Southern Bancorp, a CDFI operating in the Mississippi Delta and southern Arkansas, said the requirement was proving difficult for some businesses that were falling just short of the 25% threshold.

Southern Bancorp as of Tuesday had submitted to the SBA roughly 75 PPP loans for loan amounts totaling about \$10 million. Mr. Williams said the stream of applications has been slow, but he was encouraged by the set-aside funding for first-time loans.

“It’s probably going to be CDFIs that find those people who didn’t get access the first time,” Mr. Williams said. The funding is “not running out, so we’re able to have time for really deep and aggressive outreach.”

The original PPP program was criticized after public companies such as Shake Shack Inc. and the owner of the Ruth’s Chris Steak House chain were among the first to receive loans. They later returned the funds. Public companies are no longer eligible.

‘When we were supposed to have a leg up, we had to change things and retrain our people.’

— *Michael Rapaport, Accion Opportunity Fund chief operating officer*

The program’s restart has brought other changes. The SBA is no longer issuing automatic loan approvals, and it is instead first running checks to verify applicants’ identity and data—a process that means borrowers will have to wait longer to receive a loan decision.

Meanwhile, the SBA has continued to issue additional guidance for the program, and some directions on second-draw loans were released Tuesday. Evolving guidance caused confusion for both lenders and borrowers during the program's first round.

The evolving guidance diminished the benefits of early access for community lenders, said Michael Rapaport, chief operating officer of Accion Opportunity Fund, a San Jose, Calif., CDFI that originated about 1,000 PPP loans totaling \$15 million last year. "When we were supposed to have a leg up, we had to change things and retrain our people," Mr. Rapaport said.

An SBA spokesman said Congress's mandate that the agency issue program rules within 10 days of the Covid-19 stimulus package's becoming law indicated "the speed with which Congress expected this program to be relaunched."

Sunrise Banks, a St. Paul, Minn., CDFI, has been letting borrowers know that the revamped program now allows forgiveness for expenses tied to public disturbances during 2020. The Minneapolis area saw sometimes-violent protests after the killing of George Floyd in police custody.

Sunrise has received more than 1,300 applications since the program reopened, with roughly 500 of the applications coming from first-time borrowers. Chief Executive David Reiling said many of the first-time applicants have been sole proprietors and very small businesses that required significant technical assistance with filling out their applications.

"Even though it's a lot of work on our side, that's OK," Mr. Reiling said. "It's getting to those that weren't served before and giving them the opportunity."

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Appeared in the January 20, 2021, print edition as 'Tens of Thousands Get Small-Business Aid.'