

Subject: Covid 19: To Apply or Wait



COVID-19: To Apply or Wait?

The PPP Decision Every Doctor is Making

Our office is receiving a lot of questions from clients about when to apply for a Paycheck Protection Program (PPP) Loan. We understand this is the most critical question every practice has at the moment. Unfortunately, we won't know until July what would have been the best answer and you need to decide well before then.

We want to communicate our thought process to help you make the best decision for your practice. You have a business decision to make which is stressful, which is why we suggest reading through the options and worse case scenarios below. There is no right or wrong answer, the outcome is based on factors outside your control (when you can reopen and when the program's money runs out). Since you can't control those factors, you just need to decide that you feel is best and know that all options were reasonable.

Options:

1. Apply now for a PPP loan, possibly get the money soon, spend it during the next 8 weeks. That's great and works, but if the origination date of the loan is April 10th, by June 5th the 8 weeks has expired. You will need to continue to have full payroll through June 30th (even if there isn't work for employees) to obtain the loan forgiveness. That works if you are open anyways when the 8 weeks expires. The only downside is you'll be paying people not to work at some point during that 8 weeks.
2. Apply now for a PPP loan, have the origination date delayed. Some banks say they can allow this, others say they cannot. Unfortunately, this is simply another factor that is outside your control as there is no consistency. Banks are learning as they go as to what options they can or will offer.
3. Wait to apply for a PPP loan, apply when you are about to reopen. This is the ideal situation but the risk is that the funds could run out. There are \$349 billion in funds available for this program but applications are expected to be very high. No one knows if the funds will last or if they will be replenished. If you wait and don't get a PPP loan, the consolation prize is you might be eligible for a credit 50% of wages paid in Q2, up to \$5,000 per employee. The details of that are complicated though.

Worse case scenarios:

1. You get the funds in a week, you spend the funds on eligible costs during the 8-week forgiveness period that ends in June, and you need to pay people at the end of June even if you are not open. Your cost is the expense in those weeks after the loan runs out but at least you have built some goodwill with your team.

2. You get funds, keep employees on unemployment, and don't use the majority of the funds until after the 8 weeks. You end up with a loan that has 1% interest for 2 years to pay wages when you reopen. Not free money, but cheap working capital and if you can't reopen for some time this working capital is probably necessary.

3. You wait for the loan and it isn't available when you need it. You look into taking the federal credit.

None of those scenarios are terrible – they just aren't as ideal as having 8 weeks of payroll covered. Because the factors are out of our control we don't have an answer as to whether or not to apply now. I know some consultants say wait as the money will be replenished if it runs out. This may be true, but we don't really know if that will happen at this time. Others say apply now and don't wait. This is also fair, but you might be paying people to sit at home. The point is no one knows the best answer, but all the options are reasonable as long as you know the risk and rewards of each.

Stay safe, sane and think this through. Then know that you have made the best decision (in a world of Unknowns) for your practice.

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