

Additional \$484 Billion Coronavirus Interim Relief Package Replenishes PPP

SmithAmundsen Financial Services Alert
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On Friday, April 24, 2020, President Trump signed into law the “Paycheck Protection Program and Health Care Enhancement Act” (the “Enhancement Act”). The Enhancement Act provides approximately \$484 billion in supplemental funding for many key programs under the original CARES Act, most significantly for the Paycheck Protection Program (PPP) for small businesses. This alert provides information on the new provisions in the legislation that expand the PPP and the EIDL program.

According to the Congressional Budget Office, the \$484* billion package provides:

- \$321 billion to replenish the PPP, including \$60 billion of loan set-asides for insured depository institutions, credit unions and community financial institutions (see “The Set-Aside” below);
- \$10 billion more for Economic Injury Disaster Loan (EIDL) emergency grants, and expanding eligibility to include small agricultural entities (see “Small Agricultural Entities” below);
- \$50 billion for the “Disaster Loan Program Account” regarding certain direct loans authorized by section 7(b) of the Small Business Act;
- \$75 billion more to reimburse health care providers for expenses or lost revenues attributable to the novel coronavirus;
- \$25 billion for increased testing capacity, research and administration; and
- \$2.1 billion more for certain salaries and expenses of the Small Business Administration, the agency administering the PPP and the EIDL program.

**Components may not sum to total due to rounding.*

The Set-Aside: Under the Enhancement Act, the following loan amounts will be set aside under the PPP:

- \$30 billion for loans made by insured depository institutions and credit unions that have consolidated assets between \$10 billion and \$50 billion; and
- \$30 billion for loans made by insured depository institutions with assets of less than \$10 billion; by credit unions with assets less than \$10 billion; and by

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community financial institutions.

The purpose of this set-aside is to make the PPP more accessible for underbanked businesses. Such access has been identified as a challenge of the initial round of PPP funding, as small community businesses and financial institutions competed with larger businesses, who often had pre-existing relationships with large, traditional banks, for the same funding pool.

Under the Enhancement Act, **“credit union”** is defined as a state credit union or a federal credit union (as those terms are defined, respectively, in section 101 of the Federal Credit Union Act (12 USC 1752)).

Also under this legislation, the definition of a **“community financial institution”** includes:

- a “community development financial institution” (as defined in section 103 of the Riegle Community Development and Regulatory Improvement act of 1994 (12 USC 4702));
- a minority depository institution (as defined in section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 USC 1463 note));
- a development company that is certified under title V of the Small Business Investment Act of 1958 (the SBA Act) (15 USC 695 et seq.); and
- a micro-loan “intermediary” (as defined in section 7(m)(11) of title V of the SBA Act).

Small Agricultural Entities: The Enhancement Act also amends the definition of “eligible entity” for EIDL grants and loans to include “agricultural enterprises” with fewer than 500 employees (as defined in section 18(b) of the Small Business Act (15 USC 647(b))).

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