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Feds ease rules for emergency business loans. Miami firms are still waiting for money.

MIAMI

Anamaria Vega-Castillo's mom-and-pop carpet business was relying on unprecedented new federal loans to help her stay afloat.

Her four-employee Rene American Carpet, which she owns with her husband, has been paying two installers while the couple tries to get government loans to keep from laying them off and closing its doors. Its expenses are about \$5,000 a month.

"We are on our second month and there is nothing coming in," said Vega-Castillo, who has been unable to get help from her lender, Wells Fargo. "How long am I supposed to wait before I tell the employees to go to unemployment and wait in a huge line? Another disaster."

Concerns from lenders and a clog in the pipeline of emergency money has meant federal relief is far from reaching those businesses who need it. But a new federal rule aims to change that.

Federal bank regulators issued updated rules Thursday designed to clarify pressing concerns from lenders and loosen the flow of emergency loans money applied for by small businesses across the nation. For many small firms in South Florida, the wait for federal relief is reaching the point of desperation.

The so-called "interim final rule" is designed to clarify lending rules for the Paycheck Protection Program, which seeks to make \$350 billion available to businesses with fewer than 500 employees. It's designed to provide up to \$10 million to firms but how much they'd get and how has been a gray area. Among other things, the new rules spell out these small businesses can get a 1 % loan equivalent up to 250% of their monthly payroll.

The Federal Reserve is racing to ramp up a secondary market, where banks can immediately sell these emergency loans to the Fed. According to rules issued Thursday, the loans won't count against banks' regular loan portfolios, meaning those loans won't be held to the tough regulatory criteria of normal lending.

"These are programs we are developing at a high rate of speed. We don't have the luxury of taking our time," Fed Chairman Jerome Powell said in a rare televised interview streamed from Brookings Institution on Thursday morning. He added, "This is what the great fiscal power of the U.S. is for ... to protect these people from the hardships they are facing."

For Tom Wells, CEO of First American Bank, which has branches in South Florida and the Chicago area, the Fed's new planned program resolves a key risk element that was holding up many banks.

"It takes the loans off banks' balance sheet, which frees us up," he said. "We can function as the originator and process loans the same as we do mortgages with (quasi-government entities) Fannie and Freddie."

Wells said the bank has already sent through \$20 million worth of loans to 13 clients. He did not know whether any of those were South Florida businesses, but said he knew local clients "were in the hopper" and could expect to receive funds in the near future.

Over time, the unprecedented new programs are expected to help small firms like those that account for the vast majority of companies in South Florida. But right now, many Miami-area businesses are just trying to stay afloat until the life preserver arrives.

Michael Sheridan believed he could get up to \$10,000 from the Small Business Administration's Economic Injury Disaster Loan (EIDL) program to keep his two-person business going. Inn Click markets panic buttons to hotel chains looking to protect their employees who clean rooms and conduct maintenance.

He was crushed, he said, to learn that the program is only giving \$1,000 per employee. Because his business is less than two years old, he is concerned he may have trouble landing a PPP grant. "This is going to require more than a few months of payroll."

A customer of Chase Bank, Sheridan said the bank's online offering was of limited utility. The federal stimulus plan's emergency unemployment support payments for the self-employed hasn't helped, either; to apply for it, Floridians must use the state's disastrously clogged CONNECT system. Once he finally got into the system, he said, he was deemed ineligible.

"They're saying they don't have the website set up in a way for self-employed people to apply," he said. "For the first time, I am getting nervous ... I don't know what I am going to do for food in a couple of weeks."

For most who have been able to get loan applications processed, the money hasn't arrived yet.

Andrew Falsetto and his brother are financial partners in four Miami-area restaurants and bars. They applied for loans on April 3 to cover payroll at their restaurants — including Ariete, Nave Taurus Beer & Whisk(e)y House — even though the government had yet to spell out the minutiae of the loan terms.

"Every single person can have a different experience with this," said Falsetto, a certified public accountant.

Instead of going with a large national institution, Falsetto chose to apply with a community bank, Regions Bank, with whom they've done business since 2013.

Details were lacking when he applied, making it unclear whether the grant involves payments during the first six months. If his entire staff is retained, the grant does not have to be repaid. Falsetto said the grant could serve as seed money for when the restaurants, now forced to operate only for take-out and delivery, can fully reopen.

"The goal is to get people hired back as quickly as possible," Falsetto said, anxiously awaiting the funding. "And as many as we can."