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Banks reflect on rocky first week of PPP loan program

The first week of the Paycheck Protection Program has been anything but smooth.

However, bankers say the second week of applications likely won't be hindered by the chaos that surrounded the program 's launch.

South Florida banks were immediately swarmed with a wave of inquiries about the small business loan program immediately after the CARES Act was signed into law March 27. Financial institutions, along with the U.S. Small Business Administration (SBA), had just a week to prepare for and implement the \$349 billion forgivable loan program, part of the largest stimulus package in U.S. history.

"Lack of clarity [from U.S. Treasury Department and SBA] was challenging at the beginning," said Ginger Martin, CEO of Oakland Park-based American National Bank.

Martin said a majority of her 31-person staff have worked 14-hour day since April 3, the day the bank started receiving PPP loan applications. The bank may need to hire independent contractors to ensure it has the manpower to respond to demand.

American National Bank was unable to access E-Tran - the online portal through which banks submit applications to the SBA - until two days later the PPP's launch, she said. Loan applications are approved within minutes once they actually get to the SBA.

"The Treasury put the cart before horse, because the SBA was not able to handle the volume of applications that came through April 3," Martin said.

Thomas Wells, chairman and CEO of First American Bank, said responding to customer demand has been an enormous undertaking requiring support from hundreds of the bank's 800-person national team, he said.

"Within days of the CARES Act's passage we began setting up an online system for applications and testing that technology," Wells said. "The weekend of April 3 we tested the system with a small group of customers, rejiggered it, and by Monday [April 6] we had opened applications up to our entire customer base."

The bank has had to train employees on how to verify customer loan information, navigate its online application system, and input data into the SBA E-Tran system.

First American Bank, headquartered in Illinois, is one of South Florida's top SBA lenders. It acquired Miami's Continental National Bank in 2019. The bank has six branches in Miami-Dade County.

Guiding customers through the application process hasn't been easy either.

The PPP application form has been altered more than once, Martin said. At first, the application said business owners who were not U.S. citizens were ineligible for the loan program, a requirement that ultimately was reversed.

"I had to tell one of my biggest customers that I couldn't process her loan, so she went to another bank," she said. "The next day, I get an update form from the SBA, and there's no citizenship requirement there."

Looking ahead, both Martin and Wells said they have some concern about helping customers navigate the loan forgiveness portion of the PPP, which kicks in eight weeks after the loan is funded.

Under the short-term loan program, businesses that spend at least 75% of their loan to cover employee payroll can qualify for forgiveness. If a business owner does not delegate those funds to payroll costs - and fastidiously document those expenses - they could be on the hook for paying back the loan.

"This is not free money," Wells said. "If the loan isn't forgiven, you can't just walk away from it."

The good news is one of the biggest questions surrounding the PPP - when borrowers will actually receive funds - appears to have been answered.

On Wednesday, the U.S. Treasury confirmed which forms lenders need to use to close and disperse funds to borrowers. According to the guidance, borrowers should receive the funds within 10 days of their application's approval by the SBA.

It was an overwhelming first week, but American National CEO Martin said she expects the application process should be more streamlined moving forward. As of Thursday evening, American National had processed nearly 270 loans and received approval for 80, totaling about \$26 million.

"A lot of our questions were answered this week and we're getting faster at verifying applications and moving them on to the SBA." she said. "I feel a lot better about the program than I did a week ago."