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With Paycheck Protection funds dried up, small-business owners ponder next steps

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REPRINTS

- Unclear if or when forgivable loan program will get another \$250 billion
- Business owners say many banks vastly under-communicated their loan-making process
- Advocates say more dollars are crucial to save businesses





Anthony Lanzilote/Bloomberg

Small businesses in Detroit and around the country are hoping to stay afloat with assistance from government agencies.

It's a cool April day, and many small-business owners are feeling the chill even more now that a key federal lifeline has gone bone-dry.

The U.S. Department of Treasury and the Small Business Administration stopped taking new applications on Thursday for the less than 2-week-old Paycheck Protection Program as it **hit its spending limit** of \$349 billion. And while discussions in Washington, D.C., about adding to the pot are ongoing, business owners in Southeast Michigan are worried about the lingering problems from the first tranche of dollars.

Many entrepreneurs, several of whom spoke on condition of anonymity to speak freely about troubles at their lending institutions, report a lack of communication from banks and a sense of being under-prepared to tackle the heavy volume of loan applications from businesses that have had to come to a screeching halt over the last four weeks due to the mandates put in place to mitigate the spread of COVID-19.

Under the program, businesses of up to 500 employees who keep workers on the payroll can receive forgivable loans for doing so that can be used on normal costs of doing business like rent and utilities. As of Monday, according to the most recent data available from the SBA, Michigan businesses had received almost 25,000 loan approvals totaling more than \$7.3 billion."

But it hasn't gone well for everyone.

Thomas Fox, president of Tech Experts Inc., a technology consulting firm based in Monroe, told Crain's that his company got its PPP loan application on the program's second day in existence in early April, relying on his normal bank, PNC.

Since then, Fox said, he's received next to no communication from the Pittsburgh-based bank.

"I understand that this entire situation is unprecedented, and that no one has ever had to deal with something like this before," Fox wrote in an email. "But, seriously, PNC collected all of our contact information, including emails, would it really be that hard to send a mass email every morning letting us know what is going on?"

The bank "has totally dropped the ball," on the PPP program, said Fox.

For its part, officials at PNC Bank say they've processed and registered more than 20,000 PPP applications "totaling billions of dollars in loans."

"We recognize that many eligible small businesses were not able to secure funding from the PPP before its authorized funding was exhausted," Marcey Zwiebel, PNC's director of corporate public relations, wrote in an email. "To assist these customers, at this time, we will continue to work on PPP applications that have already been received so that they can be prepared, to the extent possible, for future registration with the SBA if additional PPP funding is authorized by Congress."

Multiple sources who requested anonymity said they'd had particular trouble with Dallas-based Comerica Inc., Michigan's second-largest bank by deposits.

As Crain's has [previously reported](#), Comerica Bank had trouble with its plan to develop a portal to automate the application process, something that appears to never have materialized. That resulted in Comerica only being able to process applications manually, sources said.

Lansing attorney Michael Mahoney told Crain's that the bank "refused" to accept paper applications, directing clients toward its web portal.

"This has caused my business to lose opportunity for PPP consideration and the funds, as you know, are gone" said Mahoney.

Comerica spokespeople did not respond to requests for comment, but last week told Crain's that the bank had approved \$200 million in loans.

Need for more

While some banks will continue working to process pending applications, the attention of small-business advocates now turns towards a deadlocked U.S. Congress and its debate over adding \$250 billion to the program.

Brad Close, president of the National Federation of Independent Business, the largest group representing small businesses in the country, said the current stalemate in Congress makes for his members' worst fears just came true.

"America's small businesses are on the brink, trying desperately to keep their doors open and support their employees," Close said in a statement. "They have been let down by lawmakers and the bureaucracy, with the smallest businesses most disadvantaged in attempting to participate in the Paycheck Protection Program."

Charlie Owens, the state-level director for the Michigan chapter of the NFIB, said he believes the group's U.S. Capitol lobbyists are working hard to get more money into the program.

His criticism at the moment is reserved for the SBA and U.S. Treasury's overall handling of the program, whereas banks have seen something akin to Michigan's deluged unemployment insurance system, said Owens.

"The Treasury and the SBA were so late with the guidance and then they had to drop it on the doorstep," he said. "They've got to come up processes and systems to move this paper, and when you give them the guidance this late, it's hard."



Varnum LLP

Varnum Partner Mary Kay Shaver

Mary Kay Shaver, a partner in the Grand Rapids office of corporate law firm Varnum LLP with a focus on finance issues, said she's seen two distinct approaches that banks have taken over the last couple of weeks.

"It seems like some banks have taken a very proactive approach to trying to help their clients through the process, and others are more or less not trying to be in the middle of it," Shaver said. "Just fill out the application and we'll forward it on.' Being more of an intermediary than helping the customer through it."

Despite all the criticism over how lending institutions and federal bureaucracies have handled the program, Shaver notes that the PPP offers extremely favorable terms to many small businesses going through times of immense struggle and the fairly straightforward loan itself makes for a lifeline.

"So I do like to say that it is a good program," Shaver said. "I do hope that they put some more money behind it, because there are a lot more businesses that need this."

– *Bloomberg contributed to this report*

Letter
– *to the* –
Editor

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