

Paycheck Protection Program

Relief for Massachusetts Small Businesses

Survey Report ~ May 2020



About the PPP

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress with overwhelming, bipartisan support and signed into law by President Trump on March 27, 2020. The Act includes important provisions to mitigate the sharp economic decline caused by the coronavirus and establishes the Paycheck Protection Program (PPP). Initially funded with \$350 billion, the PPP is a Small Business Administration (SBA) loan program designed to help small businesses, nonprofit organizations, veterans organizations, independent contractors, and other organizations cover key expenses such as payroll, rent, and utilities. Loan funds used for these purposes are eligible to be forgiven if used within a specified time frame, initially 8 weeks.

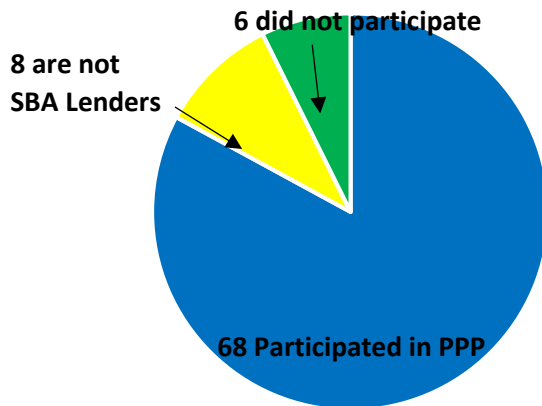
An additional \$321 billion was allocated on April 27, 2020 to augment the depleted funds from the first round of funding. With the second round well underway and approaching its maximum funding allocation, the Division of Banks wanted to gauge the involvement in the program by state chartered institutions in the Commonwealth. A message was sent to all state chartered community bank and credit union executives on May 14, 2020 asking them to participate in a short survey on their institution's participation in the PPP.

For reference, recently reported SBA aggregate data for the program is included below. The table describes this data for all PPP loans made on a national level and those made in the Commonwealth (inclusive of Round 1, and Round 2 through May 8, 2020).

PPP	ROUND 1		ROUND 2		COMBINED	
	# Loans	Approved Dollars	# Loans	Approved Dollars	# Loans	Approved Dollars
USA TOTAL	1,661,367	\$342,277,999,103	2,571,167	\$188,943,588,568	4,232,534	\$531,221,587,671
Massachusetts	46,937	\$10,360,907,178	56,506	\$4,678,358,510	103,443	\$15,039,265,688
MA as % Total	2.83%	3.03%	2.20%	2.48%	2.44%	2.83%

Survey Submissions

82 Institutions Responded



Reasons for non-participation include:

- Limited experience with processing business loans and ill equipped to process PPP loans
- Do not offer business loans
- Small credit union with closed membership not in need of business loans
- Had not processed SBA loans in over 30 years and didn't think it was an appropriate time to start
- Focusing on financial needs of customers and non-customers facing difficulties by offering other case-by-case relief

Massachusetts PPP Loans Processed			
	# Loans	Approved \$	Average Loan Amount
Round 1	17,114	\$3,467,795,548	\$202,629
Round 2	13,337	\$789,049,407	\$59,162
Pipeline	965	\$26,309,004	\$27,263
Total	31,416	\$4,283,153,959	\$136,337

Of the institutions that participated in Round 1 of PPP, only 1 did not participate in Round 2 while 4 participated in Round 2 but not Round 1. If additional funds are available and/or allocated to the PPP, 57 institutions would continue to participate in the program. 16 institutions accessed the Federal Reserve's PPP Liquidity Facility.

Thirteen institutions participated in other government and non-profit programs including:

- Various mortgage payment deferral, forbearance, and modification programs.
- Donations to community relief funds and non-profits including meal programs and purchases.
- Donations to SBA Express and chambers of commerce.
- In-house COVID loan program for small businesses and consumers.
- Participation in low-interest rate loan programs.

Program Observations

By all accounts, technical glitches and a cumbersome process hampered the smooth roll-out of the PPP. While some bankers commented on the professionalism and helpfulness of the SBA staff, other bankers commented that guidance, when provided, was often late and in flux. A few commented that, though Round 2 was easier to navigate, rules still seemed to change and guidance was intermittently disbursed to banks and consumers. A number of bankers are concerned about the changing guidelines around loan forgiveness with the frequent rule changes proving challenging. A few bankers noted that they partnered with community development organizations and fintech companies to help with loan processing.

Although the rollout of the Paycheck Protection Program left a lot to be desired, what is clear from the comments is that local SBA offices were very helpful and Massachusetts community banks and credit unions are dedicated to their customers, members and communities. As reported in the [Boston Globe on May 2, 2020](#), lenders were creative in finding ways to process loans for their customers when standard loan processing methods overwhelmed the systems. Many processed loans in the middle of the night when the systems were less stressed and worked long hours to ensure that their customers were supported. As reported, having once been seen as a part of the problem during the financial crisis a decade ago, Massachusetts lenders were determined to be part of the solution for “mom and pop” businesses this time around.

The challenges experienced by Massachusetts community banks and credit unions are echoed by lenders across the country. Changes to the program are ongoing. As this report is published, the PPP Flexibility Act was signed into law to address the many concerns expressed around the program implementation by small businesses and lenders. What is clear is that this program is a lifeline for small businesses and banks and credit unions in Massachusetts communities are in the forefront of supporting these businesses and their communities.

Some Comments from Bank and Credit Union Executives

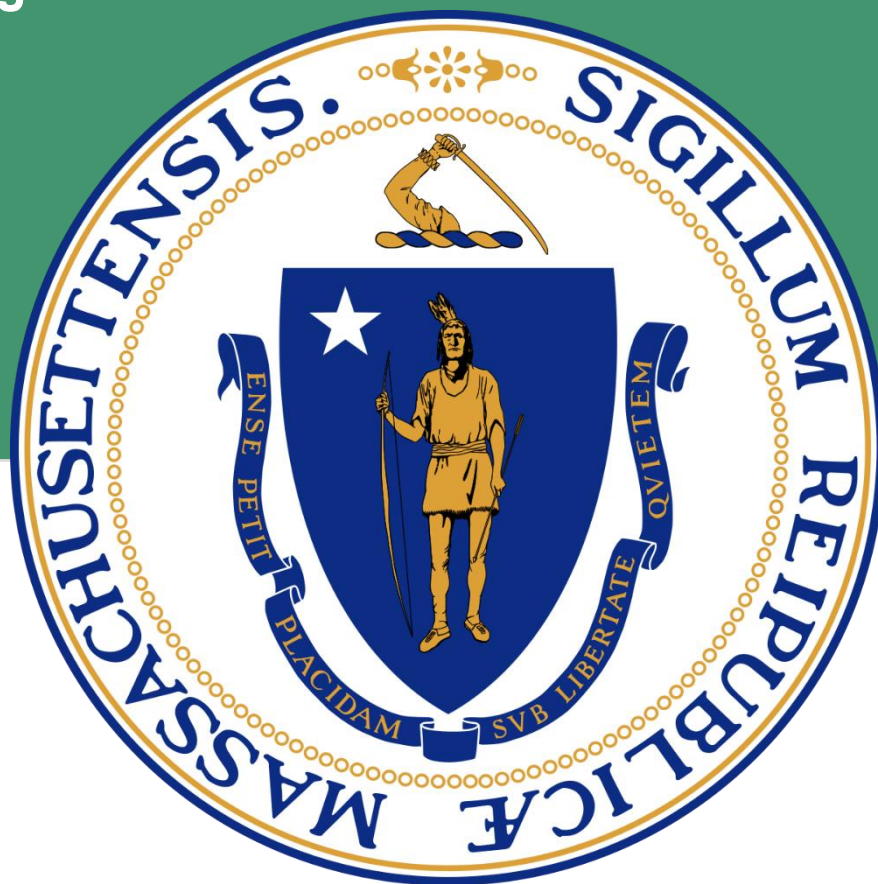
- *“The staff at SBA have been great.”*
- *“We were not a SBA lender prior to PPP and they walked us through all of the issues surrounding approval as a lender, access to CAFS and processing the initial loans.”*
- *“After the initial problem on Day 1 of Round 2, it was a very streamlined process. The funds are helping our local businesses stay afloat, allowing them to reopen and/or call staff back.”*
- *“In Round 2, we entered into a referral agreement with Kabbage to accept and process PPP applications. This enabled us to extend the PPP to more non-customers. We have referred 186 applications of which 111 have been processed with \$9.732M in funds approved.”*
- *“Chaos at the SBA in the first few days of Round 2 created intense frustration and waste of our limited human resources.”*
- *“Initially, it was very difficult to get help or answers. Once the approval was done, the process was fairly simple. I did lose some of my existing borrowers in round one because they were afraid to wait for our approval.”*
- *“The SBA Team at the Boston Regional office have provided terrific support throughout these processes. “*

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