



Bankers Helping Hoosiers

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“Unprecedented,” “new normal” and “abundance of caution” are catchphrases we’ve heard lately in response to the COVID-19 pandemic. Within the business community, other new phrases are “CARES Act,” “Paycheck Protection Program” and “E-Tran.”

The global reach of the coronavirus is affecting every aspect of our lives: physical, emotional and economic. This article focuses on the economic health of Indiana, and specifically on a remedy being applied successfully to help small businesses: the Paycheck Protection Program.

The program is a provision of the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) enacted on March 27. PPP loans are designed to enable small businesses to make payroll throughout COVID-19-related shutdowns, thereby preventing layoffs and preserving jobs.

Backed by the U.S. Small Business Administration, PPP loans are forgivable if at least 75% of funds received are applied to payroll. The 75% provision, however, may be addressed through the proposed Paycheck Protection Flexibility Act, as of this writing in discussion on Capitol Hill.

The initial infusion of \$350 billion – “Round One” – was made available on April 3, one week after passage of the CARES Act. To apply for PPP loans, small businesses of 500 or fewer employees work with lenders, who process the loan applications through an E-Tran portal provided by the SBA.

The response to Round One was immediate and dramatic. With few parameters in place, small businesses of every stripe seemed to be applying for the loans. The newly created E-Tran portal crashed more than once, and some lenders initially were unable to enter into the portal at all.

Eventually the tech problems were ironed out, and the race was on to process as many loans as quickly as possible before the unknown deadline of when the funds would run out. Many banks reported having staff work Saturdays, Sundays and literally through the night to keep up with demand.

By April 16, the funds were depleted. In the 14 days of Round One, more than 1.6 million PPP loans had been approved nationwide, with an average loan size of \$206,000. Within the Hoosier state, Indiana banks assisted in completing 35,990 PPP loan applications, totaling \$7,491,445,351 in approved dollars.

Round Two commenced on April 27 with \$320 billion in funding. It was anticipated that these funds would run out even faster, but instead Round Two has been proceeding at a slower pace. Some would-be applicants may have been skittish, due to notice that loans over \$2 million would be audited. For a time it appeared that loans below that amount would be randomly selected for audit, as well, but later were granted safe harbor status.

Per [statistics released May 23](#) by the SBA, the average PPP loan size has decreased to \$116,000. Combining loan activity of Round One with Round Two nationwide, more than 4.4 million PPP loans have been approved to date, totaling \$511,209,333,058. (The loan volume has decreased from prior

reports, as some borrowers opted to return funds.) Closer to home, [within Indiana](#) 73,430 loans have been approved, amounting to \$9,379,164,461.

Also on May 23, the SBA and Department of the Treasury released [interim final rule](#) language on the loan forgiveness process, including eligible payroll and nonpayroll costs, reductions to the loan forgiveness amount, and documentation requirements. Borrowers should consult with their lenders regarding questions or guidance.

Certainly there have been frustrations with the PPP. Not all small businesses were eligible to apply, for example. Others that did qualify found it challenging to provide all the information needed for a complete application. But given that this program was conceived, funded and implemented in just one week, it's been remarkably successful.

The member banks of the Indiana Bankers Association are proud to have been part of the solution by helping to bring nearly \$10 billion in lending assistance to Indiana small businesses. The Paycheck Protection Program has helped small business stay in business, preserving livelihoods for Hoosiers and for Americans nationwide.

The Indiana Bankers Association supports Indiana banking through issues advocacy, professional education, and products and services that enhance financial institutions' ability to help build better communities.