

Business News: Stimulus Tweaks Trip Up Small Businesses

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On-the-fly rule changes are bedeviling small-business owners who got government-backed loans meant to keep them afloat during the coronavirus shutdown.

Around three-quarters of the \$670 billion loan program has been allotted, and some business owners approved for loans are wading through a thicket of rule changes to determine whether they still qualify.

The Treasury Department and the Small Business Administration have issued nine "interim final rules" and more than 40 pieces of guidance since the program's April rollout. The most recent updates came last week, after more than four million loans totaling over \$500 billion had been approved.

Treasury Secretary Steven Mnuchin said Monday that the government was looking at additional technical fixes. Small businesses and lenders are still awaiting guidance for determining whether and how loans are forgiven.

Some lenders have approved loans only to find the borrowers were ineligible days later. Borrowers that have received loans are weighing whether they can keep the money. "I sympathize with the borrowers who think the rules have been changing midstream, because they have," said Tony Wilkinson, chief executive officer of the National Association of Government Guaranteed Lenders, a trade group for lenders that originate SBA loans.

An SBA spokesman said the Paycheck Protection Program is an overwhelming success. The program provides forgivable loans to small-business owners that spend the money on payroll and some other expenses.

Some small-business owners say they were puzzled when the Treasury Department tightened eligibility guidelines in response to criticism that money intended for mom-and-pop businesses was instead going to the owner of the Ruth's Chris Steak House chain and the Los Angeles Lakers.

When the program started in early April, borrowers simply had to certify that economic uncertainty "makes this loan request necessary to support the ongoing operations." Then, late last month, government officials said it was unlikely that public companies or private firms with adequate sources of liquidity could make that certification in good faith. Days later, Mr. Mnuchin said the Treasury would do a full review of loans over \$2 million.

Richard Forrestel Jr., treasurer of Cold Spring Construction in Akron, N.Y., plans to return the \$2.2 million PPP loan his 110-person, family-owned construction company received in late April. Cold Spring, which specializes in road and bridge work, hasn't lost any business because of the pandemic, but Mr. Forrestel fears that New York could cut back on construction to balance its budget. "This is a classic bait-and-switch," Mr. Forrestel said of the PPP changes.

Asia Orangio, CEO and the sole employee of DemandMaven, an Atlanta marketing firm, called her attorney and business advisers to determine whether to return her \$10,000 PPP loan from Silicon Valley Bank. Ms. Orangio said she is still being paid by current customers, but the "well has gone dry" for business leads.

"As new details about this loan had come out, it made me wonder if this thing that is supposed to help me might hurt me," Ms. Orangio said. She decided to keep the money.

PDQ Holdings Co., which operates eight carwashes in Wisconsin, was in the fourth week of spending six PPP loans totaling less than \$1 million when Treasury announced its tougher policy on who qualifies. PDQ has been using the funds to pay 250 employees, though it only has work for 50. Chief Financial Officer Barb Gilling said she is worried about how the government will define whether a company has other sources of liquidity. PDQ, for example, wouldn't have taken out a bank loan to pay employees who aren't working, she said.

"We're on pins and needles," she said.

Guidelines for how to measure head count, issued after the program was operating, have tripped up small businesses with many part-time workers. Tom Hoffman Jr. had already told roughly 575 furloughed employees of his Hoffman Car Wash and his Jiffy Lube franchise in Albany, N.Y., that he was bringing them back on payroll when he learned his company had to return \$3.2 million in PPP loans because of new guidance on employee head count.

In late April, the Treasury Department said companies must use the total number of employees rather than full-time equivalents to determine eligibility. That was bad news for Mr. Hoffman's businesses, where many of the 800 or so employees work part time. In many industries, companies must have 500 or fewer employees to qualify for the loan program.