



# *LIMBER Loan Fund*

Colorado Loans to Increase Mainstreet Business Economic Recovery



# Federal Stimulus Bill Summary Regarding Small Business Lending

- PPP New Round and “second draws”
- Clean Up PPP/EIDL Issues
- Save Our Screens Grants from SBA for Entertainment Venues
  - Can’t get PPP3 and this grant
  - Launch Timing TBD
- US Treasury Funds for CDFI and MDIs

# Federal Stimulus Bill: PPP Rounds, Tranches, and Draws

Round	Tranche	Dates	Amount Allocated	Draws Served
1	1	April 3 to April 16 2020	\$349B	First
1	2	April 27 to August 2020	\$310B	First
2	3	January 11, 2021 to March 31, 2021	\$284B	First and Second

**First Draw** is the first time a specific business receives a PPP loan

**Second Draw** is the second time a specific business receives a PPP loan

Note there is some confusion about which “round” of PPP just launched in 2021. SBA calling current round “PPP3” in some places “Round 2” in others. Some press accounts and SBA documents called the re-launch of PPP on April 27 2020 after the first tranche of funds ran out on April 16, 2020 “round 2” which would make this new 2021 round “round 3 but we are calling the 2021 launch “round 2” in this document



# Federal Stimulus Bill: PPP New Round

PPP \$284B Nationally – Colorado goal: \$5.5 to \$6B for our Small Businesses (last time CO got \$10.2B +)

- CDFIs & CDCs launched “first draw,” 1/11/21 “second draw” 11/13/21

(Colorado Enterprise Fund, Colorado Lending Source, DreamSpring)

- Some banks launch as early as 1/13/21
- Banks and Credit Unions to Launch shortly
- Runs until March 31, 2021

Forgivable debt (very potent recovery tool for borrower), 100% SBA guarantee (very good for lenders)



# Federal Stimulus Bill: PPP “Second Draw” Rules

- Max Amount: 2.5 months of payroll or 3.5 Months for Food Service and Accommodation sector businesses (NAICS 72) up to \$2M
- Requirements for Full Forgiveness:
  - 60% spent on payroll over next 8 to 24 weeks and the rest on other eligible expenses
  - Maintain compensation and employment per existing PPP rules
- Second Draw Eligibility:
- Previously received a First Draw PPP Loan and will/ has used full amount only for authorized uses;
- Has no more than 300 employees; and
- Demonstrates at least 25% reduction in gross receipts between comparable quarters in 2019 & 2020.

## Federal Stimulus Bill: PPP a Few Key Changes

- Newly eligible: some 501c6s (Eligible if they do limited lobbying (less than 15% of revenues), Destination Marketing Organizations (DMOs), Housing Cooperatives
- Expenses paid by PPP loans are now federally tax deductible
- Businesses who got both PPP and EIDL now get full PPP forgiveness even they got \$10,000 EIDL Grant
- Broader definition of eligible expenses for use of PPP proceeds including: operations expenditures, property damage costs, supplier costs, and worker protection expenditures;
- Provides greater flexibility for seasonal employees;
- Certain existing PPP borrowers can request to modify their First Draw PPP Loan amount
- SBA will not approve loans immediately and instead will do a compliance review post application

# Federal Stimulus Bill: CDFIs, MDIs, MLIs

- Money to CDFIs and Minority Depository Institutions (MDIs)\* \$12B Nationally
  - Colorado generally estimates 1/50 of federal money (\$240M) but we only have 1 MDI
  - \$3 billion through the CDFI Fund (Treasury) to provide grants and other financial and technical assistance focused on Minority Lending Institutions (MLIs)\*\* \$1.25B is available to all all CDFIs (Colorado's share would be \$2.5M) and the rest to MLIs.
  - \$9 billion Emergency Capital Investment Program of preferred stock administered by the Department of Treasury to provide low-cost, long-term capital investments to MDIs and CDFI depositories (Native American Bank and First Southwest Bank in Colorado) .
- **CDFIs have state that PPP is their primary concern at the moment**
  - **Lendistry open to doing CLIMBER loans before PPP ends**

\*MDIs depository institutions (Banks and Credit Unions) where 51 percent or more of the stock is owned by one or more socially and economically disadvantaged individuals

\*\*MLIs include certain Minority Depository Institutions and a new category of CDFIs that meet other standards for accountability to minority populations as determined by the CDFI Fund at the US Treasury.



## Colorado Bank & Credit Union Trade Association Feedback on PPP

- Banks eligible to begin new round of PPP on 11/13/21
- New software program will be used in this round of applications
- There are some SBA system changes and lags being worked through
- Banks will not all come on line for PPP3 at the same time, SBA phase in
- Loan forgiveness for R1-2 & 3 are causing lender and borrower angst
- Most banks and credit unions planning to participate
- Seeing less customer demand compared to previous rounds
- Bank mindshare will still be heavily focused on PPP
- Bank and credit union trade associations can help market and announce the program

# Net Net for CLIMBER

- PPP will dominate the attention of most lenders for the next several weeks
- CLIMBER can fill in gaps where PPP does not fit
  - Business has very small payroll as a percent of operating costs
  - Business received first draw of PPP but does not qualify for second draw (revenue was not down a full 25% in any given quarter)
- Anticipate PPP will help many businesses survive the winter and CLIMBER could help them in the Spring and Summer
- Most CDFIs in Colorado are likely to only receive a small amount of additional Treasury funds from the stimulus bill programs potentially leaving room CLIMBER Direct Lending Capital
- Promote CLIMBER within the lending network to fill customer needs when federal program does not match