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## Small businesses worry big banks won't prioritize PPP applications in second round



By [Ashley Portero](#) – Reporter, South Florida Business Journal  
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When [Andrea Stockhausen](#), owner of Hialeah-based Exotic Sealife International, first heard about the Paycheck Protection Program, she figured Bank of America would facilitate her application as a long-time account holder.

But it wasn't that simple.

Stockhausen, who has 10 employees, said the bank initially told her the application could not be processed because she did not have a credit card or loan with the bank. When Bank of America retracted that requirement, she said she immediately submitted an application for a \$100,000 loan – and has heard nothing since.

"I have now realized that we are being left out in the cold," Stockhausen wrote in an email to the *South Florida Business Journal*. "The only information I could get is that it's in the queue. And now there's no more money left!"

Stockhausen isn't the only small-business owner who believes their PPP application was not prioritized by a big bank.

Just days after the program exhausted its funds, small-business owners in California filed a class action lawsuit against Bank of America, Chase, U.S. Bank and Wells Fargo, alleging those lenders unfairly favored companies seeking loans above \$150,000. The lawsuit alleges those lenders focused on obtaining SBA approval for large loans to ensure they would receive "millions more" in processing fees.

The U.S. Small Business Administration announced that Florida lenders approved 88,997 loans totaling \$17.8 billion before the forgivable loan program hit its \$349 billion ceiling last week. How many of those loans were processed by national banks is unknown, but early estimates indicate community banks may be responsible for the lion's share of loan approvals, according to COVID Loan Tracker, a website launched by Miami residents Duncan and [Rita MacDonald-Korth](#).

"A lot of the stories we hear are about how banks put big customers in front of smaller ones," [Duncan MacDonald-Korth](#) said.

COVID Loan Tracker crowdsourced information from nearly 20,000 small-business owners who applied for PPP or Economic Injury Disaster Loans, he said. So far, the data indicates applicants have had better luck receiving loan approvals through small banks. MacDonald-Korth said 81% of all successful applications tracked by the website were processed by community banks. The median amount of approved loans was \$120,000.

### **Smallest businesses face challenges**

[Drew Demers](#), an attorney with Weiss Serota Helfman Cole & Bierman in Boca Raton, said big lenders may have prioritized the "cleanest" PPP applications, which usually come from larger companies that have the means to outsource accounting and payroll to professionals. And some small businesses, often those with fewer than 10 employees, usually don't have the funds to pay a third party to handle financials, he said.

Businesses that attempted to apply for a PPP loan without assistance may have submitted applications with errors or information that was difficult to verify, Demers added. That can hold up underwriting for the loan and, ultimately, SBA approval.

"The key for businesses was getting their documents organized and verified as quickly as possible so there's a clear path to SBA approval," he said. "I'm not sure lenders intentionally segregated high-priority from low-priority applications.

"There's also application volume to consider: Big banks received thousands of applications from all kinds of businesses the moment they began accepting them."

MacDonald-Korth said the first-come, first-served nature of the SBA approval process for PPP loans "did a huge disservice to the businesses it was supposed to help."

"I can't imagine how overwhelming the application is for people who have no knowledge of accounting, who can't afford to hire someone to organize the required documents," he said. "In South Florida, where we have a huge population of minority small-business owners, imagine what the process was like for people who don't speak English as their first language."

### **Improving PPP 2.0**

MacDonald-Korth penned [a petition on Change.org](#) requesting several changes to the second round of PPP funding. The petition, which had received more than 12,400 signatures as of Tuesday afternoon, said the next round should devote half of its funds to businesses with less than 50 employees. It also said lenders that routinely fail to submit applications for SBA approval within 14 days of receipt should have their processing fees reduced by at least 50%.

Congress may be gearing up to pass a new round of Paycheck Protection Program funding, but Stockhausen isn't confident her application will be approved before funds are once again depleted.

"Even if more funds are made available, what will prevent the larger companies from pushing us aside again and gobbling up the remainder of the money?" she asked.

The *Business Journal* contacted the region's three largest deposit holders – Bank of America, Wells Fargo and JPMorgan Chase – for comment on how they prioritized PPP applications. A representative for JPMorgan Chase directed the *Business Journal* to a post by [Jennifer Roberts](#), CEO of Chase

Business Banking, that said half of the PPP loans the bank processed were for less than \$100,000.

A representative for Wells Fargo issued a statement that said the bank will "continue to prepare applications in our existing pipeline from small and midsize businesses, and will submit them to the SBA when funds become available."

Bank of America did not immediately return a request for comment.