

A Lender's Guide to the Paycheck Protection Program



The last several months have created tumultuous economic conditions for small businesses across America. These companies account for over 99% of America's businesses but due to the current economic conditions caused by the pandemic, they have struggled to maintain current operations without outside financial assistance.

A survey found that 82% of small businesses are concerned about the long-term financial ramifications and hardships associated with the pandemic. At the outset of the crisis—small to medium-sized businesses scrambled to access limited available funding. After being denied credit from larger financial institutes for a variety of reasons, many borrowers turned to smaller, community lenders as a viable alternative.

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Lenders that provide assistance to small and medium-sized businesses have the opportunity to create a harmonious long-term relationship with their customers. As they continue to guide businesses moving forward, they should remain focused on providing financial resources and customer support during times of need. Doing so can strengthen customer relations while garnering the long-term support of these businesses.

By utilizing technology innovations and leveraging various communication channels—lenders can support the needs of small and medium-sized businesses throughout the entirety of the loan process from origination to forgiveness or liquidation.

This guide will focus on the various challenges associated with the PPP lending process and how lenders can best support their customers during a challenging economic climate.

What's the Lenders Opportunity with the Paycheck Protection Program?

The Paycheck Protection Program (PPP) offers a unique opportunity that allows lending institutes to work closely with members of their community. As many small businesses face uncertain times that lie ahead—banking and

lending institutions can provide much-needed guidance and support. Borrowers are relying on their lending institutions to guide them through this turbulent financial time.

The PPP loan application process initially went live on April 17, 2020. Although PPP loans are considered a new form of the pre-existing SBA 7(a) loans—they are not nearly as profitable as their predecessors. There are also upfront fees for lenders, but the SBA will pay processing fees of 1% to 5% depending upon loan size. To maintain profitability, lenders accepted hundreds if not thousands of PPP loans putting a massive strain on lenders and creating a horrible customer experience when borrowers could not get funded in a timely manner.

Lending institutions that successfully help small businesses navigate the loan process can establish long-term relationships that will flourish and grow.

Although the PPP process has been challenging, it offers a unique opportunity to improve relations between lenders and businesses. These financial institutions are able to provide a number of financial tools to small businesses as they face challenging circumstances that lie ahead.

Lending institutions that successfully help small businesses navigate the loan process can establish long-term relationships that will flourish and grow. The key to creating a positive member experience is providing customer support in conjunction with appropriate technological tools. A bank's profitability is a direct result of the people who comprise their portfolio.

Loan Origination - Understanding The Challenges Associated with Processing High Volumes of Requests

The COVID-19 pandemic hit the United States with unrelenting force this past Spring. As many businesses were immediately forced to shut down operations—the SBA rolled out the initial PPP program with lightning speed. Many organizations lacked the resources and know-how necessary to respond in a timely fashion. As a result, the loan application process left many businesses inundated with incomplete applications and unresolved questions.

Communication between lenders and borrowers was limited. Small businesses were left without program feedback or response for days and weeks at a time.

Lenders accepted vast amounts of applications, but quickly became inundated with the high volume of loan requests. In fact, Bank of America initially reported they had received over 10,000 responses during the first hour the application process went live.

Lenders attempted to adequately respond to customer loan requests, but also found themselves struggling with the PPP loan origination process. Many banks and lending institutions experienced technical challenges related to SBA's internal E-Tran system. As a result, loans could not be submitted in a timely and efficient manner. Smaller lending companies became frustrated at their inability to help small businesses submit loan requests and the SBA systems became overrun with excessive applications.

To help expedite the process, lenders realized new systems were needed to create seamless workflows. Banking and financial institutions implemented new technology measures to vastly improve loan origination processing. Eventually, they were able to minimize application backlogs and increase loan processing efficiency. **PCFS Solution** customers successfully submitted as many as 1,000 loans in 24 hours using a batch process.

The new technology improved the workflow process and increased application frequency and volume. The improved origination process allowed data applications to flow seamlessly from borrowers to lenders to the SBA's internal E-Tran system. The simplification of the loan origination process also streamlined operations and data submission to the SBA.

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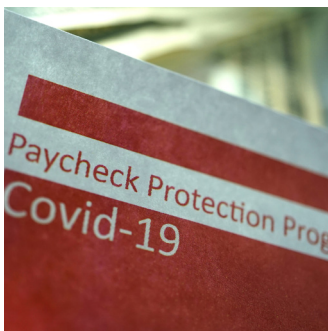
PCFS Solution customers successfully submitted as many as **1,000** loans in **24 hours** using a **batch process.**

Loan Management - Ensuring Compliance of PPP Loans

Small businesses across America have experienced financial hardships as a direct result of COVID-19. The vast majority of applications are honest and truthful, but a number of fraudulent applications were illegitimately submitted to the PPP program.

Although borrowers are required to submit good-faith certification regarding the necessity of loan requests, occasionally dishonest people fall through the cracks. The Treasury Department has stated that PPP loans under \$2 million typically won't be faced with audits. The department has determined that \$2 million is appropriate as borrowers below this threshold are less likely to have had access to adequate sources of liquidity.

Lenders are responsible for managing PPP loans while ensuring they adhere to strict compliance regulations. The PPP program offers billions of dollars in potentially forgivable loans to companies that keep their employees on the payroll. Criminals may attempt to take advantage of the situation by submitting false claims to financial institutions. In one recent case, a Texas man was recently charged with fraudulently claiming over \$1 million in PPP loans while simultaneously engaging in wire fraud, bank fraud, and unlawful monetary transactions.





This is where lenders can step up and do everything within their power to solidify the processes and systems needed to make this experience seamless.

Borrowers may illegitimately file loans with several banks simultaneously. As a result, banks could be accused of negligence and lender fraud. Lending institutions must be able to perform internal audits to verify the validity of submitted applications. Audit tools can help lending institutions secure all data into a single location. Most banks keep data secured at various sites which can make consolidation of information arduous. A lack of consistency in data organization and outdated paper records can further complicate matters for lending institutions. Using an appropriate technical solution is one way banks can maintain voluminous amounts of information within a single database system.

Loan Forgiveness - How Lenders Can Help SMB's

Most lenders are not prepared to help small businesses throughout the loan forgiveness process. SBA regulations are ripe with ambiguities about how borrowers may qualify for loan forgiveness. Small businesses are starting to apply for loan forgiveness, but few organizations are prepared for the confusing process. To make matters worse, antiquated government systems lack sufficient customer support to assist businesses along the way. This is where lenders can really step up and help the borrower through this process.

The number of required documents needed to submit PPP forgiveness applications can be confusing, even for the savviest borrowers:

- Payroll reports from payroll providers
- Payroll tax filings
- State income, payroll, and unemployment insurance claims
- Documentation regarding retirement and health insurance contributions
- Additional documentation verifying other eligible expenses such as interest, rent, and utility payments
- Calculations based on loan amounts

Proper record-keeping is essential for loan forgiveness approval. Even if the borrower has the proper records, it's a confusing process. Without the guidance of someone who is familiar with the forgiveness process, small businesses may be denied loan forgiveness.

This is where lenders can step up and do everything within their power to solidify the processes and systems needed to make this experience seamless. Borrowers should receive constant communication and support throughout the duration of the forgiveness process.

Performing calculations and assembling various types of documentation can be a tedious and arduous process. Compliance guidelines can also be difficult to comprehend and adhere to properly. Lenders should create positive customer experiences that help guide borrowers throughout the entire process; performing the confusing calculations on the borrower's behalf, assembling the appropriate documentation, apply any compliance-related processes to their workflows, and seamlessly communicating with the borrower along the way.

Lenders that used specific PPP technology to integrate with the SBA during the origination phase were able to create a seamless process, including sending large batches of loans for approval. This will be the same during the forgiveness phase. Lenders will need to leverage technology that integrates with the SBA's web service API's in order to facilitate the large volume of forgiveness requests. Without this step in place, borrowers may put the blame on the lender for their loan forgiveness being held up. This can put an unnecessary strain on the lender/borrower relationship creating a bad customer experience.

Lenders should remain focused on technology that helps them easily manage PPP loans and the challenges that may arise.

How Fintech Companies are Improving Business Lender Services

Fintech companies are in a unique position, helping to facilitate communication between businesses and lenders. In order to ensure long-term stability and success, we need to make sure lenders have the right solutions available to them to provide the best borrower experience. By asking the right questions and tailoring services and technology to specific business lending needs, we can create best practices that will help to ensure future success regardless of the economic climate.

Lenders should remain focused on technology that helps them easily manage PPP loans and the challenges that may arise. Loan origination, forgiveness, and servicing of these loans have proven to be complicated and oftentimes challenging to get approved without the right digital connections to SBA systems.

Financial institutions will be processing a high volume of loans that will need to be forgiven. Seamless solutions are needed to help simplify PPP processes. Lenders must make it simple for borrowers throughout the entirety of the loan term. By integrating with existing banking solutions, lenders can provide borrowers with the ease and flexibility needed to handle loan processes.

Why Choose PCFS Solutions?

PCFS Solutions is a leader in delivering commercial business lending software solutions that provide the industry's only integrated, end-to-end business lending platform specific to SBA loans. Our solutions provide a complete and streamlined prospect to pay off experience.

Our platform is designed to help solve several challenges commonly faced by commercial business lenders through improving efficiency, risk management, and compliance. Advanced workflow designs, built specific to your SBA line of business, automated report generation, and integration to SBA's webservices, helping to differentiate our software from competitors.

PCFS helps lenders originate, manage, and fund business loans by increasing capacity and scalability. Our software and web-services remove administrative obstacles creating operational efficiencies, saving significant amounts of FTE hours. **PCFS Paycheck Protection Program** technology enables lenders to seamlessly process a high volume of transactions thereby reducing the manual time spent on a loan and drastically improving the experience for borrowers.

Banks and other financial institutions are increasingly becoming targets of cyberattacks. Our advanced technology helps lenders and banks easily manage the entire lifecycle of PPP loans while minimizing security threats and concerns. At **PCFS**, we strive to maintain complete and accurate data by using efficient processes. Our software encourages organizations to maintain audit compliance while adequately documenting processes and supporting team members.

PCFS is providing opportunities for lenders to focus on their customer experience moving forward with the help of a cutting edge technological platform. Our innovative solutions can help to modernize internal processes and propel lending institutions forward. Many lending organizations are faced with insufficient digital infrastructures, but we're here to provide a helping hand. Financial institutions that fail to adopt modern technology and processes may fall behind competitors or even forced to merge or close operations.

PCFS has extensive experience in business lending centered around products and services designed to tackle complex lending issues. Using advanced programming intelligence that ensures data accuracy and quality reporting throughout the entire lending process, we're helping lenders solve a number of challenges they face today.

If you'd like to learn more about how **PCFS** can support lenders throughout the entirety of the PPP loan process, feel free to schedule time with one of our solution experts for additional support and information

To learn more about how **PCFS Solutions** can help you, visit pcfssolutions.com