



April 23, 2020

Re: Second Round of Small Business Loans

Dear Client:

Today, the House passed a \$484 billion aid package for small businesses, hospitals and testing, including much discussed Paycheck Protection Program (“PPP”) and Economic Injury Disaster Loan (“EIDL”), HR 266. <https://www.wsj.com/articles/house-set-to-approve-484-billion-bill-to-aid-small-businesses-hospitals-11587641659?mod=djemalertNEWS>

In a nutshell, the second round of funding increased PPP to \$659 billion from now depleted amount of \$349 billion, an increase of \$310 billion. The EIDL amount was increased to \$20 billion from \$10 billion.

In my rough calculation based on 2011 to 2017 IRS statistics, every small business in the US should be able to get the PPP loan this time around with additional \$310 billion funding. Although you do have to move quick, you now have a choice of lenders.

In addition to commercial banks, credit unions and non-banks could now process your PPP loan application. The fiasco of the first PPP lies in the fact, that the commercial banks rewarded their A-list customers, while leaving many of the truly impacted main street small businesses out in the cold.

I cannot say I blame the commercial banks, as they are in it for profit. If they didn’t take care of their A list customers, their on-going business may be impacted. The sad part is that it was not the bank’s money. It is US taxpayer’s money, which they doled out to their A-list customers, such as Harvard University Endowment Fund or Ruth Christies. Just because they could does not make it right.

One way to fight the profit motive of lenders is to apply your PPP with your credit union. The credit unions are not for profit but are for the service to its members. Approximately 20% of the second round PPP is earmarked for credit unions and community banks (most are for profit). You may find a credit union near you at <https://www.mycreditunion.gov/about-credit-unions/credit-union-locator>, by entering your location and pressing search.

We are available to help you in maximizing your liquidity to weather this crisis, including PPP, EIDL, SBA disaster loans and other provisions of the CARES Act. You have to pay back non-PPP or non-EIDL loans to the US government, even if you used 75% of the proceeds for the payroll costs.

So, stay healthy, do social distancing and let’s keep the curve flat.

Sincerely,

Steven Y.C. Kang, CPA
Managing Partner
KSGA, LLP

Proverbs 15:23

Commitment-Integrity-Quality

To You-Your Business-Our Principles

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