

Paycheck Protection Program Loans for Independent Contractors - Call Your Congressman

April 14, 2020 - The recently passed stimulus bill to deal with the COVID19 outbreak made some significant changes to the benefits available to the self-employed. Among them was supposed to be access to loans from the SBA through what they are calling the Paycheck Protection Program or PPP. These loans were specifically geared to allow small to medium sized businesses to continue to pay their employees rather than lay them off while the businesses are closed due to government ordered shutdowns. And that includes allowing sole proprietors to continue to pay themselves. But there is a problem with the program. You have to apply for PPP loans through SBA approved lenders, and most of the big banks have put their own rules in place that exclude independent contractors. It's a problem that requires immediate attention from Congress.

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PPP loans offer businesses some real advantages. As long as at least 75% of the loan amount is used to pay salaries, the entire loan balance will be forgiven at the end of July. And the loans can be for as much as \$2 million.

But major banks are obstructing independent contractors - meaning those who report their income using 1099 forms - from even applying. For example, take Chase Bank. They are only accepting PPP applications from those with business banking accounts. That excludes most independent contractors because they typically use personal accounts for their banking. But Chase is far from the only bank with this requirement.

Most banks are also requiring applicants to be established customers. Some are requiring applicants to have had accounts since early March of this year. Others are requiring that the accounts have been established as early as February of this year. That means that even though you may be willing to move your money to them and open a business account, they still won't lend to you under PPP.

There are a number of things that are really troubling about this. First, virtually all of the large banks in the United States were bailed out by taxpayers in the last downturn. Yet they obviously have no issue turning their backs on taxpayers now. In fact, the rules mentioned above are not mandated anywhere by the federal government (which is guaranteeing these loans). All of these hurdles are artificial in nature.

This issue isn't likely to get fixed without legislation. None of the bigger US banks appear to be anxious to change their rules. So if you are one of the millions of independent contractors in the United States that is trying to gain access to a

PPP loan, you should pick up the phone and start calling your congressional representatives. They need to know that the current PPP program isn't working properly and feel some pressure to fix it. And while you're calling, make a call to the White House too and let them know how you feel about the way your bank is handing these loans. Remember, it is an election year. If enough people make those calls, the problem will get addressed.

by Jim Malmberg

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