

OC Banks Swamped With SBA Lending

FINANCE: PROCESSING PPP LOANS FASTER THAN NORMAL

By [Peter J. Brennan](#)

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The Paycheck Protection Program didn't exist a month ago.

Now, dozens of banks operating in Orange County have raced since its opening on April 3 to process loans geared toward helping small businesses stay afloat during the coronavirus pandemic.

Pacific Mercantile Bank of Costa Mesa said that as of April 15, it's submitted 407 client applications for more than \$237 million dollars that will keep over 27,000 employees on payroll.

"We dedicated a significant portion of our bank's resources to support our clients during this challenging time with over 20% of our total loan portfolio committed to this program," Pacific Mercantile Chief Executive Brad Dinsmore told the Business Journal.

The banks and other entities are participating in the Small Business Administration's program, often known as PPP, which is providing \$350 billion as part of \$2.2 trillion stimulus package passed last month by Congress. The money can also be used for rent, mortgage, interest or utilities. The loan has a maturity of two years and a 1% interest rate. The loan will be forgiven if the employees are kept on the payroll for the eight-week period after the loan is made.

Interest by Orange County small businesses was widespread, bankers told the Business Journal.

Irvine-based Commercial Bank of California expects to issue \$200 million in these loans, which is about a fivefold increase from its annual production of SBA loans. It received so many requests in the first four days that it suspended the application process for a few days.

“The response has been overwhelming,” CBC Chief Executive Ash Patel said.

“The stay in place has created a lot of pain. Every customer we’ve talked to has had an adverse effect on their revenue and has had to lay off their people.”

As of April 16, the \$350 billion available officially ran out. At press time, Congress was in negotiations for \$250 billion more.

“The bank has a list of prospective new clients that we hope to help if the proposed \$250 billion dollar expansion to the program is approved,” Dinsmore said.

Borrower Questions

The biggest questions from borrowers involved the application that they found confusing such as whether to include contractors working on 1099s, Patel said. Furthermore, the SBA in its first week didn’t have all the requirements listed and sometimes changed them on the fly, he said.

The bank is telling borrowers to expect the funds within one to three weeks and is giving priority to borrowers who need to meet payrolls immediately. Typical SBA loans take about four to six weeks.

“We’ve prioritized those in severe need of cash. We’re trying to help our community as best as we can.”

The bank has seen a surge in customers asking for “payment holidays,” which the bank is considering on a case by case basis. At press time, it wasn’t clear what type of help the banks, which were large beneficiaries in the 2008 financial crisis, will receive from the government. Patel noted some regulations such as ratios of cash on hand may be relaxed.

Patel is an expert in the hotel industry, where his bank has issued many loans.

“The hotels, restaurants, travel industry are the most adversely affected” by the crisis, he said. “Most hoteliers we know have gone through major furloughs. There is no revenue.”

Main Street

The payroll protection plan is separate from a forthcoming Fed program, called the Main Street Lending Facility, which will help businesses that are too large to qualify for help from the SBA programs and too small to receive aid from lending facilities the Fed is creating for large, highly-rated corporations.

The Business Journal's annual ranking of the largest lenders of SBA loans begins on page 21. Since it's a six-month snapshot that ended March 31, it won't reflect the newer PPP program. See page 20 for more details.

What follows are comments from some of Orange County's leading bankers:

Carson Lappetito

President

Sunwest Bank

Sunwest is actively participating in the SBA Paycheck Protection Program. We have been a preferred SBA lender for many years. As a result, we were early in providing content to our clients and communities about the benefits of the program. We also developed one of the first digital applications and launched it on Friday, April 3, in conjunction with the Federal program going live.

Since then, we have received over 2,000 applications. We processed 1,411 applications through the SBA and have approved and funded \$100 million involving 50,000 jobs.

Our management team made the decision early on to assist as many businesses as possible in the communities we serve. Sunwest is the "Bank for Entrepreneurs, by Entrepreneurs"; and it is only fitting to assist as much of our community as possible in this difficult time. This decision became even more important when many larger institutions decided not to participate in the program.

To manage risk, we put stricter underwriting guidelines in place and are requesting additional documentation to mitigate potential fraud that could result from this program. Every business has been more than willing to provide this information and has been so thankful for the beacon of hope we are providing employees and entrepreneurs in our community.

Despite what you are hearing from many large institutions, the SBA and Treasury are trying to make this program as easy as possible for the banks to provide PPP loans to eligible businesses. Even with the additional documentation we are requesting, our team can process these loans in a matter of days or less. This has been helped by on our team working around the clock and our technology platform.

As the government pushed to take this program live, one of the biggest issues the program faced is larger banks move very slowly and there is a lack of entrepreneurship in our industry to tackle a fast-moving program like this.

I am so proud of what Sunwest's team has accomplished in just over a week. Every individual across the company has been working countless hours to ensure we do our part in assisting as many businesses and their employees as possible. Banks have always been the center point of local economies, and we are proud to be in that role through this crisis.

Besides serving our communities with the PPP program, Sunwest is gearing up to be an active participant in the Federal Reserve's Main Street Lending Program.