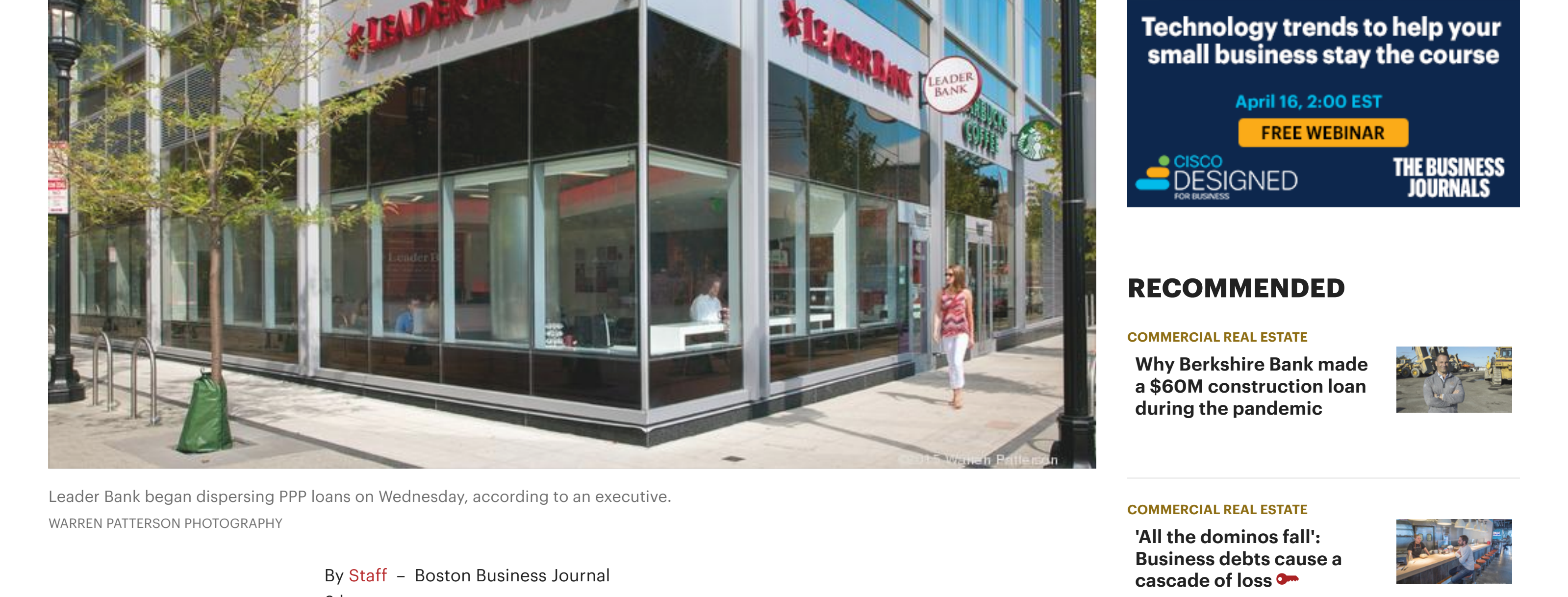


What not to do in applying for PPP loans, according to Boston bankers

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Leader Bank began dispersing PPP loans on Wednesday, according to an executive.
WARREN PATTERSON PHOTOGRAPHY

By Staff – Boston Business Journal
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If you're a small-business owner who has not yet applied for the Paycheck Protection Program, you may be worried it's too late. After all, "many, many, many thousands" of businesses in Massachusetts alone have applied in the week the program's been open, and \$250 billion in requested additional funds is held up in Congress.

Local bankers have a message for you: Don't panic. There's still time to apply. "We're still very, very actively taking applications," said **Peter Brown**, chief executive at the **Dedham Institution for Savings**.

But to make sure you don't lose any more precious time, you should apply the right way.

For those unfamiliar with the program, it enables businesses of 500 or fewer employees to borrow up to two-and-a-half times their average monthly payroll. They can apply 25% of that to other costs, such as mortgage, rent and utility bills to keep the business open. Loans of up to \$10 million are available.

The loans are forgivable for the amount used for payroll, rent or mortgage, utilities and other qualifying expenses over the eight weeks after they receive the money. They have to keep all their employees on staff to get the loan forgiven. Otherwise, the loans charge a 1% interest rate, with a two-year term.

"It's an extraordinary opportunity that people should be taking advantage of," **Century Bank** CEO **Barry Sloane** said. "In the banking business, it's about the only good news at the moment, for any borrower."

Here are some tips that banking executives shared, to ensure a process that's been a rough ride for many entrepreneurs is as smooth as possible for you:

Don't turn in incomplete submissions: "That's going to slow it down, and the bank's going to move on to the next loan until that documentation's in," **Leader Bank** Executive Vice President **Jay Tuli** said.

Different lenders have different requirements for the documents that should accompany loan applications. Make sure you have a checklist from your lender before you submit your application.

Don't miscalculate: Complete your own calculation ahead of time to make sure you borrow as much as you qualify for. "I would say the most common mistake we've seen is that people are under-applying," Brown said. When it comes to determining payroll expenses, "it's not just salary expense. It's benefits."

Still, keep in mind that in the event some of your loan is not forgiven in the final calculation, it will end up being a 1% loan for a few years.

Think twice before applying to multiple banks at the same time: Given the rush for money, and the hiccups experienced by many banks, some entrepreneurs have thought to increase their odds by applying to several banks at the same time. But bankers warn that, if two lenders end up processing your application simultaneously, problems could ensue. (It also slows down the application process for everyone else.)

That said, if you do apply to multiple banks: Pull your applications from the other institutions, if it appears one lender is moving forward more quickly with your bid.

Get updates: **Robert Nelson**, the head of the SBA's Massachusetts office, told the Business Journal earlier this week that Massachusetts business owners should go to sba.gov/updates and enter their email address and ZIP code to ensure they receive all updates relevant to Massachusetts. Visit the U.S. Treasury website, [linked here](#), and SBA's [web pages](#) often for updates.

Be patient: The wait for the money – which in many cases, businesses need soon in order to just survive – is frustrating. But chances are, your banker is just as frustrated with the process as you are.

"It is going to take some time, so checking in every hour is probably not helpful," Tuli said. "Checking in every few days, I don't see anything wrong with that."

Remember, you can't use IRS 1099 workers as your employees: While this may not be an issue in the front end when applying for the loan and calculating the relief amount, it may become an issue when small businesses are asking for the loan forgiveness down the road. Double-check your payroll calculation and total number of employees. Beginning Friday, the SBA will allow independent contractors and self-employed individuals to apply for the loan relief program. Typically, those entities file their taxes using 1099 forms.

Do not start new entities and apply for a loan: The PPP allows businesses to separately apply for a loan for every business where a person/persons may have a beneficial ownership. But all entities under one beneficial ownership must have been an active business as of Feb. 15.

Note that the sum of your holdings cannot surpass 500 employees: This provision is complicated. Hotels and restaurant chains are exempt from this rule, and late last week the SBA added franchise owners who employ more than 500 people to that exemption list as well. The only caveat: No single outlet could employ more than 500 people. For every other business, the 500-worker maximum number is in play.

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Rank	Institution	Total Mass. Deposits 2019 ('000s)
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2	Citizens Bank	\$42,363,003
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