

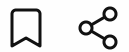
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FINANCE • LENDING

The SBA gave fintech companies the green light too late, leaving the smallest of businesses without PPP loans

By Jen Wieczner ▾

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April 17, 2020, 11:09 PM ET

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On Tuesday evening, several fintech companies finally received the green light they'd been waiting for: The U.S. Small Business Administration approved them to make loans through the Paycheck Protection Program, part of the government's \$2 trillion stimulus package. Those companies, however, never got the chance to lend—by Thursday morning, the [PPP funding had run dry](#).

That's left thousands of small businesses seeking PPP loans from fintech firms—which specialize in lending to the smallest of employers, including mom-and-pop shops and local operators, which are typically perceived as too insignificant and risky to borrow from traditional banks—out in the cold, with no avenue to borrow money at a time when they most need it to stay afloat during the coronavirus pandemic.

Funding Circle, a UK-based small business lender, for one, had pre-processed several millions of dollars in loan applications from thousands of small businesses, but by the time it received SBA approval late Tuesday, it was too late.

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for the program were exhausted prior to us being able to accept applications,” says a spokesperson for OnDeck, a top online small business lender.

Meanwhile, at least five other fintech lenders have applied to the SBA but are still awaiting approval, according to the Innovative Lending Platform Association (ILPA), a trade group representing lending startups.

It’s a disappointing outcome for financial technology companies known as non-bank lenders, which have been officially allowed by the SBA to make government-guaranteed small business loans for the first time in history through the PPP stimulus package—but are now in danger of being left out entirely. “We’re certainly frustrated,” says Scott Stewart, CEO of the ILPA. “I don’t think any fintechs actually did any lending directly to the PPP.”

In March, treasury secretary Steven Mnuchin explicitly specified that [fintech companies would be able to participate](#) in distributing the stimulus funds along with banks, saying that “any fintech lender will be authorized to make these loans.” In practice, though, fintech lenders were the last round of financial institutions

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lenders interested in applying to distribute PPP loans were originally told to email a government official, but no company that *Fortune* spoke with ever received a response. Instead, they waited for the government to release an application form for non-bank lenders—and waited. When the Treasury Department finally posted the application online around 9 p.m. ET on April 8, six days after banks began making PPP loans, fintech lenders received no notification. “I hate to say it; I was refreshing the website every 10 to 15 minutes for well over a week,” says Metcalf.

While lenders expected Congress to approve more PPP funding as soon as the initial \$349 billion was spoken for—within two weeks of the program’s launch—Washington has yet to release more money.

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Now, lenders are urging Congress to allocate additional funding for small businesses worth as much as triple the amount that's been distributed so far. In a letter sent Friday to lawmakers including senators Marco Rubio and Ben Cardin and seen by *Fortune*, groups representing the lending industry wrote that the “program total needs to be north of \$1 trillion to ensure all small businesses and independent contractors are served.”

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“The reality is this program has not met the needs of the grand majority of true small businesses, Main Street small business,” says Eyal Lifshitz, CEO of BlueVine, which received its SBA approval Tuesday but not the credentials it needed to obtain loans directly from the agency before the funding ran out. (It was still able to process tens of millions of dollars in loan applications but only through its banking partner.) “It’s like somebody sent you a text to join this [Zoom call](#), except there’s no link to join the Zoom call,” says Stewart.

The average size of loans BlueVine and several of its lending peers have processed is just \$50,000—a relatively small amount that’s a vital lifeline for the smallest of businesses. “They have two or three weeks left of runway,” adds Lifshitz. “These are guys who are living on fumes.”

An analysis of SBA data by Plaid, a fintech company that’s providing software to some of the non-bank lenders, found that nearly half of the PPP funding so far has gone to just 4% of small business applicants. That means a handful of small businesses received larger loans accounting for a bigger portion of the PPP pie, according to John Pitts, head of policy for Plaid. “I think had the fintech lenders gotten in earlier into

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didn't have a borrowing relationship with Bank of America, we weren't eligible to apply," she says.

As Congress considers additional PPP funding for small businesses, with a decision expected next week, some lawmakers are pushing to earmark some \$100 billion of the money exclusively for small loans of \$50,000 and less—the size in which fintech lenders tend to specialize.

“The rising tide does lift all the ships,” adds Petralia, “And we really believe that for every small business that gets access to capital right now, we’re all better off.”

Update: A previous version of this article misstated the amount of PPP loan applications Funding Circle has pre-processed.

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By Jen Wieczner

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1955

1966

2003

2007

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