



News & Types: Client Advisories

How Japanese Owned U.S. Subsidiaries Can Avoid Common Mistakes When Applying for the Second Round of the U.S. Government's Paycheck Protection Program ("PPP") Loans

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EXECUTIVE SUMMARY

The U.S. government's Paycheck Protection Program ("PPP") announced the release of a second round of loan funds to assist small businesses in the United States. This additional loan program was signed by President Trump on April 24, 2020 and will now become officially available to the small business community.

The initial round of \$350 billion in PPP money was exhausted just 13 days after the Small Business Administration ("SBA") application process for such loans opened. For those companies that missed out on the opportunity to take advantage of the first round of loans, there are several steps that should be taken in preparation for applying for the latest funds being offered by the U.S. government for small businesses. **The bottom line is act quickly: the sooner you apply, the greater your chances of obtaining a loan.**

The **three main steps** that we would recommend for small Japanese owned U.S. subsidiaries intending to apply for newly released PPP loans funds are as follows:

1. **Do your homework; Be prepared:** To increase your chances of obtaining a PPP loan, businesses should be prepared with all necessary paperwork and up-to-date company information. The documents that are typically required for a PPP loan are:

- PPP Loan Application: ([link](#))
- Business name, address and contact information;

- Profit & Loss statement for the last 12 months;
- Company formation documents or details of business's legal organization, structure and ownership;
- 2019 tax returns, as well as previous two years if available;
- Payroll reports and detailed payroll information;
- Mortgage or rent documents;
- Documentation of utility expenses;
- Proof your business is **active and in good corporate standing**; and
- Documentation showing how the coronavirus crisis has negatively impacted your business.

2. **Consider working with smaller lending institutions:** Carefully choose the right lending institution. There were reports in the media that larger banks prioritized PPP funding for larger customers. In our own experience, we witnessed many clients suffer difficulties in dealing with the larger lending institutions due to the inability of those institutions to adapt their small business lending practices to the PPP loan program. If you have an opportunity to work with a smaller bank or credit union that you have an existing relationship with, you may have a better chance of successfully obtaining a loan. The primary reason for this is that the new bill specifically sets aside \$60 billion **for smaller institutions like credit unions and community banks** to give smaller businesses a better chance of being approved.

3. **Make personal contact with the lender:** While much of the application process for the PPP loan is automated, it is critical to make personal contact with someone from your lending institution (preferably someone at the lending institution who is directly involved in the PPP loan process). While you should not be a nuisance, you should continue to follow up with your contact to ensure that they have all the necessary information and documents in order to process your loan application. Additionally, certain lending institutions require that you have a checking, credit or other type of existing account with the bank. If such requirement exists, you should take whatever steps necessary to quickly satisfy these requirements.

While there's still some uncertainty involved with the PPP loan process, keeping these issues in mind and being prepared can increase your chances of obtaining loan assistance this time around. Visit www.sba.gov for a list of SBA lenders or contact your relationship attorney for more information.