

escalent

VOLUME 12 | June 24, 2020

Financial Services COVID-19 Market Research Perspectives

Ongoing coverage of COVID-19's impacts

Of all the possible areas, why is there so much emphasis on small businesses (e.g. the [Paycheck Protection Program \(PPP\)](#), [Loan Advances](#), [Debt Relief](#), and [more](#))? Because the financial services industry has got to help small businesses endure, else our economy will not be able to recover.

Small businesses are the backbone of America. They account for [99.7% of US employer firms](#), 49% of private sector employment, 43% of high-tech employment and the list goes on.

In this volume, we take a closer look at many facets of how small businesses are impacted by COVID-19, including both new data as well as a human perspective.

IN CASE YOU MISSED IT

- [Strengthening Trust Will Help Plan Providers Weather the Storm](#)
- [Update Your Communication Playbook for the Pandemic](#)



We've got you covered.

What to do:

1 Understand PPP's Evolving Nature

2 Enhance Digital Banking

3 Hear Directly From Small Business Owners

The Paycheck Protection Program (PPP)

“A big, ongoing question about economic recovery is around whether PPP was enough. Can businesses get to a point where they are open enough to keep going and keep people employed on their own? If a large number of businesses can't sustain themselves when PPP ends, will additional funding come from the government? Policy-makers are closely monitoring this and will take it up in July as a debate. This is the first time there's an open question of should/shouldn't, whereas previous COVID-19 decisions have been relatively bi-partisan.”

– Chris Barnes, CPO/Managing Director, Financial Services



The Evolution of PPP

Paycheck Protection Program (PPP) loans are a huge initiative being used by one-third of US small businesses.

We see continued efforts by policy makers to keep the PPP program relevant by making it more flexible and more open. Enacted on June 5, the PPP reform bill loosens restrictions on small business loan recipients. Key points mean that borrowers can now:

- Use the funds over a longer time horizon (24 instead of 8 weeks)
- Use less for payroll (60% instead of 75%)
- Use more for operating costs (40% instead of 25%)
- Take up to 10 months to apply for loan forgiveness
- Rehire workers over a longer period (December 31 instead of June 30)

Banks have already begun receiving loan forgiveness requests from the first borrowers, and many do not yet know what to do with them. Additionally, adjustments to the forgiveness application window and establishment of the 60-day bank review period and 90-day SBA reimbursement period mean banks will still be processing loan forgiveness in 2022. This is a big logistical adjustment from what was originally slated as an 8-week program.

4.5
MILLION
US small
businesses
have received
for a PPP loan



81%

of PPP loan recipients believe they have a strong understanding of forgiveness requirements

72%

will be looking to their PPP lender for help in that process

PPP Loan Forgiveness

Forgiveness rules have evolved, but the fact remains that many borrowers will not experience blanket forgiveness. Some loans will not be forgiven [for obvious reasons](#), and others for spending intentionally or unintentionally in the wrong categories. The government does not want people to get caught up in a bureaucratic minefield—they want businesses to get forgiveness as expected. The rules are in place for true misuse.

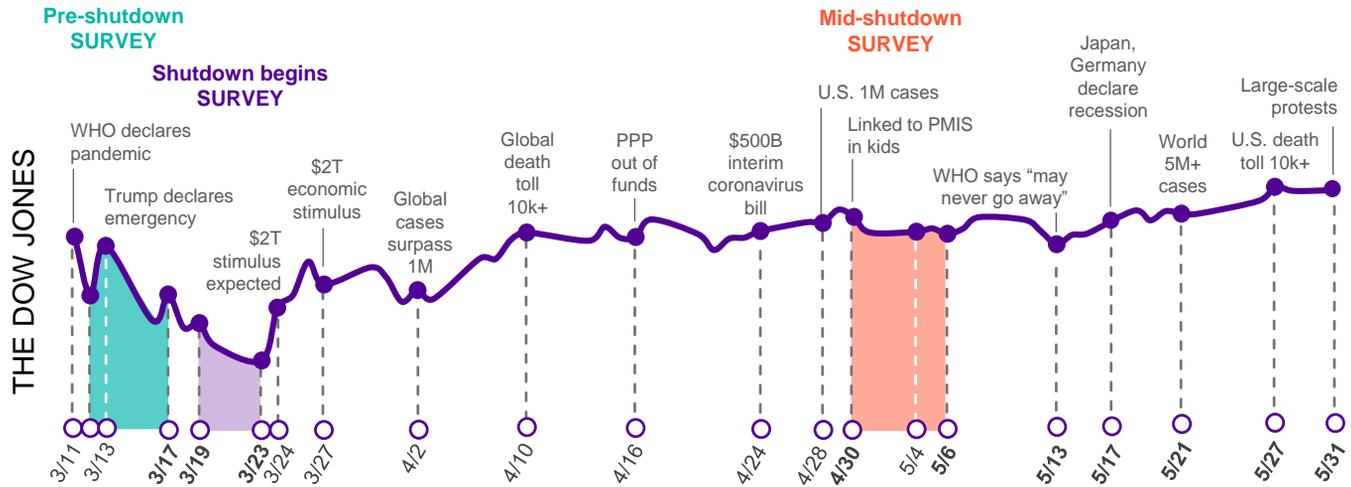
Yet, it is doubtful that people understand PPP loan forgiveness as well as they claim (81% strongly), especially since it is in flux. They are quick to admit that they will rely on their PPP lender for help.

Source: Javelin Strategy & Research, 2020

Banks Will Play an Indispensable Role as Main Street Reopens

“Small businesses have been hit hard over the past three months. As they reopen their doors, most will be struggling with a multitude of challenges, including re-establishing business with a tentative customer base, rethinking how payments are made and goods delivered, investing in changes to the physical environment, and navigating PPP loan repayment and forgiveness. There’s a tremendous opportunity for banks to provide support throughout that process.”

– Ian Benton, Senior Analyst, Digital Banking & Payments, Javelin Strategy & Research



Three-quarters of small businesses have been negatively affected by the COVID-19 shutdown.

75%

COVID-19 shutdown impacts

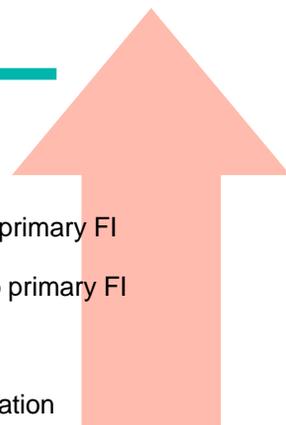
- 32%** Reduced employee hours
- 25%** Instituted WFH policy
- 18%** Temporarily closed business
- 17%** Encouraged online shopping/payment
- 15%** Applied for SBA disaster loan
- 14%** Laid off employees
- 12%** Modified supply chain
- 12%** Discussed financial strategy with bank

Over one-quarter of small businesses used mobile banking in the past week, up from 16% pre-pandemic.

28%

Digital banking features used for the first time during the pandemic

- 11%** Mobile check deposit
- 9%** Zelle payment sent
- 8%** Digital loan application
- 6%** Video conferenced with primary FI
- 5%** Sent secure message to primary FI
- 4%** Zelle payment received
- 4%** Digital credit card application



Source: Javelin Strategy & Research, 2020

Small Business Owner Perspectives

Meet Michael Chambers

Owner of M|C Law in Hartford, CT



“My utmost priority is to support and represent the community located in the Greater Hartford area. No case is too big or too small for our office, and we will not stop working until we are satisfied that we have done absolutely everything in our power to bring resolution to a case.

I had a client who needed me today for an arraignment. I admit, I had concerns about COVID. So, I put on my mask and gloves, and headed into the court. For me, this is just going to be one day for a few hours, and it’s stressful. For thousands on the front lines, this is their daily routine.

Financially? Lord knows we pay enough taxes, so if a small business needs PPP, then by all means do so. Who could have imagined? A lot of people had their business model shattered overnight. I don’t envy any of them. Fortunately, although my business slowed, I always try not to overextend myself, and have instead further pared back (e.g. subcontractors on a bi-file basis rather than hourly staff).”

www.attorneymichaelchambersjr.com



Meet Rebecca Hall and Laura Macris

Owners of Crush Boutique in Boston, MA



“We are childhood friends who always dreamed of owning our own boutique and eventually opened Crush here in Boston in 2007.

COVID was a big blow to our daily business, and we’ve had to scramble to establish things like ecommerce and virtual personal styling. We’ve also had to initiate more sales than usual in order to maintain some liquidity—and really, this process means month-by-month hybridization. For safety, our stores have incorporated mandatory sanitizer and masks along with a six-person limit and checkout shields.

We applied for and got the PPP loan, but it was a rat race, and since the interest rate was so low, banks dragged their feet on granting them. We also applied for a PPE loan through the city to help cover the costs of our safety materials.

Going forward, ecommerce will certainly continue for small retail, and we don’t expect a return to ‘normal’ until a vaccine is available.”

www.shopcrushboutique.com



Small Business Owner Perspectives (cont.)

Meet Nicole Mehelich

Owner of Nicole Mehelich Photography
in the Metro Detroit area

Nicole Mehelich

PHOTOGRAPHY



"I photograph portraits and real estate. I am also an FAA-licensed Remote Pilot, which allows me to fly a drone commercially.

Typically, I photograph 1-2 large corporate headshot sessions each month, as well as individual headshots...I also photograph families, high school seniors, women's portraits, and babies. Since mid-March, I have been unable to do any portrait photography. The governor just recently opened up some of the limitations to be able to photograph people outside...but, it will probably be quite a while before I'm back to my normal volume.

The real estate market was allowed back to work beginning on May 7th. I have been able to make up a lot of my lost portrait income by doing more aerial photography work for Realtors. I will be focusing much more this year on services that I can offer with appropriate distancing, such as real estate photography, aerial photography/ videography, and portraits taken outdoors."

<http://nicolemehelich.com>



Meet Pierre Mikha

Owner of New Inception Mortgage
in Sterling Heights, MI



"2020 has been an interesting year! Our business has been growing and being more active on both purchase and refinance loans. I noticed that, as the COVID-19 pandemic started to spread, and businesses started to furlough employees and/or temporarily shut down to comply with Governor Whitmer's requests, that mortgage lenders started to tighten up their lending requirements so as to not have a repeat of 2008's market fiasco. And there are also many investor requests on helping with payment deferment.

With the interest rates being this low, lenders are starting to relax on the guidelines, and are slowly reverting back to requirements that were in place prior to the pandemic as businesses are starting to open back up. It is unfortunate that there is such a large unemployment rate at the moment, and we are hoping to have everyone bounce back as soon as possible."

www.newinceptionmortgage.com



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Meet just a few of our financial service research experts:



Talk to us.

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