

Franchising and PPP Loans

IFA surveyed 190 franchise owners from May 15-May 26, 2020 regarding the effectiveness of PPP loans.

PPP FUNDING ISN'T THE PROBLEM – FOR NOW

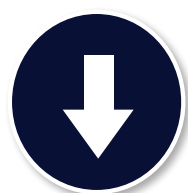


96%

OF FRANCHISE OWNERS HAVE RECEIVED PPP FUNDING.

With tens of billions of dollars remaining in untapped PPP loan funds, it's clear that funding is not currently the program's biggest challenge.

WITHOUT FIXES, THE FUTURE FOR FRANCHISE BUSINESSES LOOKS BLEAK



41%

OF FRANCHISEES REPORT A GREATER THAN 50% REVENUE LOSS.

31%

OF FRANCHISE OWNERS REPORT LOSSES BETWEEN 25-50%.



49%

OF FRANCHISE OWNERS WILL CLOSE WITHIN SIX MONTHS WITHOUT ADDITIONAL ASSISTANCE.

PPP LOAN STRUCTURE IS THE PROBLEM

Separately, in a survey of 52 franchise brands, the brands reported the following structural PPP concerns for their franchisees. In order, the top concerns are:

1. Requirement to use funds in immediate 8 weeks following disbursement of the funds
2. Requirement to bring employees back before business can reopen
3. Impact of expanded unemployment insurance on ability to bring employees back and qualify for forgiveness
4. Requirement to pay 75 percent of funds on payroll to qualify for forgiveness
5. Requirement of the loan size at 2.5 times payroll (versus 4x operating expenses)
6. Limiting the loan terms to only 2 years

Changing the structure to address these business concerns can make the PPP loan program more effective. By more closely aligning the loan terms with business needs, proposed PPP changes like those in the *Paycheck Protection Program Flexibility Act* can ensure that PPP loans benefit the businesses and employees they're designed to help.