



IFA PAYHECK PROTECTION PROGRAM SURVEY

IFA surveyed 190 franchise owners from May 15 to May 26, 2020 to hear from them on the effectiveness of PPP loans. The results follow:

PPP Funding Isn't the Problem – For Now

96% of surveyed franchisees have received PPP loans. 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

However, surveyed franchisees report that their revenues are down and they cannot remain open indefinitely without additional funding.

Starting on February 15, 2020 (the first day covered under PPP loans):

- 41% of franchisees report a greater than 50% revenue loss
- An additional 31 % report losses between 25-50%.

Additionally, respondents report fear that – without additional loans or assistance – they won't be able to remain in business long-term.

- 49% say they would close within six months without additional government assistance
- 21% report they would close withing six months to a year

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.