

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

June 9, 2020

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street SW
Washington, D.C. 20416

Dear Administrator Carranza:

Thank you for your commitment to small businesses during these unprecedented times. We understand the magnitude of responsibility that the Small Business Administration (SBA) has been tasked with and appreciate the efforts you have taken to launch the new economic relief programs in such a short period of time.

With that said, we are writing to express our deep concerns with the implementation of the Economic Injury Disaster Loan (EIDL) and emergency grant program. As you know, the goal of the EIDL program is to provide low-interest disaster loans to help small businesses recover from disasters. To help those suffering substantial economic injury due to the spread of COVID-19, Congress authorized SBA to offer up to \$2 million in assistance per small business, with the option to obtain a \$10,000 advance that would be disbursed within three days. These funds are especially important to small businesses with small staffs since they can have greater non-payroll expenses. Over the course of the past two months, we have heard from numerous small businesses about the administrative problems they have been encountering with the EIDL program.

We are concerned that SBA has not instituted a workable process to allow borrowers who have applied but not received funds to monitor the progress of their application. In the EIDL portal individuals can check their status, however, there are few details provided. The status is marked as “processing” up until it is “accepted” or “denied.” While SBA has said applicants can check their status by phone or email for additional details, we have heard reports that SBA customer service hotlines have not been particularly helpful or responsive, and in some instances, provided inconsistent information. In sum, small businesses across the country are reporting significant problems determining where they stand in the queue and when they will receive funding.

We have also learned that SBA has reduced the maximum amount of the EIDL loans from \$2 million to \$150,000 per small business and limited the EIDL grants to \$1,000 per employee.¹ Reducing the maximum loan amount is not only inconsistent with the law and Congressional intent, but it is also arbitrary and will shortchange millions of small businesses in dire need of assistance. We are also particularly troubled that these policy changes have not been communicated effectively and in a timely way to Congress, borrowers, SBA field offices, and Resource Partners. Clear communication of policies and administrative changes is essential for small businesses accessing the funds.

Under the Paycheck Protection Program and Healthcare Enhancement Act (PPPHCEA), Congress made clear that farms and agriculture entities were eligible for the EIDL program. While we strongly believe farms and agriculture entities should have access to the EIDL program, we are concerned that SBA has not re-opened the portal, to other small businesses and eligible entities.² In the PPPHCEA, Congress provided an additional \$50 billion in lending authority to support \$366 billion in new lending to all eligible small businesses, not just farms and agriculture entities.

Moreover, Congress intended the additional infusion of funds to be used to provide a quick turnaround of the loans to struggling small businesses. As of May 30, 2020, only 707,613 loans, amounting to nearly \$55.8 billion, have been disbursed.³ We understand SBA received an unprecedented number of applications, but Congress intended for these loans to provide immediate assistance. We are concerned that SBA is not utilizing all its available resources, including the \$2.7 billion in additional funding for salaries and expenses that was appropriated in the CARES Act and the PPPHCEA, to reduce the current backlog of EIDL loans.

Finally, we are concerned by the lack of transparency in the program. To date, we do not know how many applications are pending in the queue and how quickly SBA is processing these applications. In order to evaluate the success and challenges with the program and determine whether additional funding is needed to meet the immediate needs of small businesses, Congress needs regular, timely, and complete data from SBA about pending and approved applications. We need this information broken down by zip code and state, along with average processing time, to gain a better understanding of how SBA is meeting the demand for the program. Without this information Congress cannot evaluate the program nor determine how much additional funding or programmatic changes are needed.

¹ The Washington Post, *SBA slashes disaster-loan limit from \$2 million to \$150,000, shuts out nearly all new applicants*, (May 7, 2020) <https://www.washingtonpost.com/business/2020/05/07/sba-disaster-loans/>.

² U.S. Small Bus. Admin., *SBA to Make Economic Injury Disaster Loans Available to U.S. Agricultural Businesses Impacted by COVID-19 Pandemic*, (May 4, 2020) <https://www.sba.gov/about-sba/sba-newsroom/press-releases-media-advisories/sba-make-economic-injury-disaster-loans-available-us-agricultural-businesses-impacted-covid-19>.

³ U.S. Small Bus. Admin., *Disaster Assistance Update: Nationwide EIDL Loans*, (May 30, 2020) <https://content.sba.gov/sites/default/files/2020-05/EIDL%20COVID-19%20Loan%205.30.20.pdf>.

We request that SBA respond to the questions below by June 17, 2020.

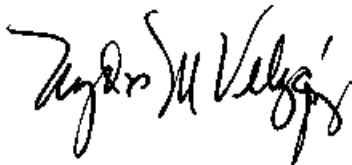
1. Congress made numerous changes to the EIDL program in the CARES Act and the Paycheck Protection Program and Health Care Enhancement Act (PPHCEA), including eliminating the credit elsewhere requirement and waiving the personal guarantee requirement on small loans. In light of those changes, how were SBA's underwriting practices and policies changed to comport with the CARES Act and the PPHCEA?
2. How did you develop or determine policy changes, particularly the limit on the maximum amount of the loan and the cap based on the advance, which is based on the number of employees ?
3. The Treasury Department has been heavily involved in developing regulations to govern the Paycheck Protection Program within the Office of Capital Access – has Treasury also been involved in the Office of Disaster Assistance's (ODA) development of policies to govern the EIDL?
4. How is ODA communicating changes in program policies to borrowers, SBA field offices, and Resource Partners?
5. What specific steps is ODA taking to update applicants about the status of their loans and loan advances, beyond simply telling borrowers their applications are still “processing”?
 - a. If so, are there any plans to provide this data through the online portal instead of requiring applicants to call SBA?
6. How many EIDL applications are in the queue?
 - a. How much additional funding is needed to meet in full the loan amounts requested by all applicants currently in the queue?
7. When will SBA reopen the program to applicants other than farm and agricultural-related?
8. What is the average processing time for EIDL applications?
9. What processes are you implementing to expedite the approval of applications?
10. What is causing the continued delays in disbursing the advances and full loans themselves?
11. Congress provided substantial appropriations to SBA for the purposes of not only strengthening the agency's technology, but also hiring staff necessary to expeditiously process and approve loans and grants through the EIDL program. Please provide an itemized accounting of how the \$2.7 billion in salaries and expenses have been spent, including any contracts with outside vendors to assist in processing.
12. Only by soliciting all applications can SBA and Congress have a comprehensive understanding of the demand by small businesses for this program and then make the necessary decisions to address any gaps. How does SBA quantify demand for the EIDL program when the portal has not been opened to all businesses?

Small businesses across the country who are struggling to keep their doors open turned to SBA for economic relief during these uncertain times. Much to their chagrin, they were met with additional uncertainty stemming from delayed approvals, lack of communication, and lack of transparency with the implementation of the EIDL program. It is vital that SBA improve its management of the program and provide regular, timely, and detailed updates to Congress in order to ensure the program is being operated effectively for the 30 million small businesses across the country. To

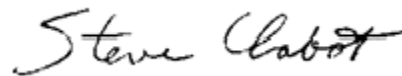
that end, we respectfully request SBA begin providing Congress more detailed weekly EIDL updates, including but not limited to zip codes, states, and average processing times beginning June 10, 2020.

Thank you again for your work to assist small businesses amid this unprecedented public health and economic crisis. We look forward to hearing back from you and working together to ensure the effective administration of the EIDL program in service to our constituents.

Sincerely,



Nydia M. Velázquez
Chairwoman
House Committee on Small Business



Steve Chabot
Ranking Member
House Small Business Committee

Aumua Amata Coleman Radewagen
Member of Congress

Sharice L. Davids
Member of Congress

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