

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2501 Rayburn House Office Building
Washington, DC 20515-6515

April 2, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Jovita Carranza
Administrator
Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza,

Our nation's small businesses and entrepreneurs are suffering. As of today, 38 states, Washington DC, Puerto Rico, and numerous metropolitan areas have issued stay-at-home orders to slow the spread of the novel Coronavirus to flatten the curve. These orders apply to 90 percent of the U.S. population and effectively shuttered all non-essential small businesses across the country.¹ The impact of the pandemic on our economy can be seen in the 10 million unemployment claims made in the last two weeks.²

To address the unprecedented challenges facing small firms, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a \$2 trillion stimulus bill contains funding for a wide range of programs designed to help respond to the economic downturn caused by the COVID-19 pandemic. Specific to SBA and our small business owners, Congress created the Paycheck Protection Program and new grants delivered through the SBA's current disaster loan-making infrastructure.

The Paycheck Protection Program (PPP) is designed to inject \$349 billion into our struggling small business economy. Leveraging the existing 7(a) lender network, the PPP will provide forgivable, low-interest loans to small businesses to pay employees, keep them on the payroll, and keep the business viable during this unprecedented crisis. To that end, Congress created basic requirements, including eligibility, loan size, and forgiveness criteria, to reach as many businesses as possible as quickly as possible while also providing lenders with the tools they need to deliver this vital support.

¹ Secon, Holly and Aylin Woodward, "About 90% of Americans have been ordered to stay at home. This map shows which cities and states are under lockdown.", *Business Insider*, accessed on April 2, 2020 at <https://www.businessinsider.com/us-map-stay-at-home-orders-lockdowns-2020-3>

² Rainey, Rebecca and Nolan D. McCaskill, "'No words for this': 10 million workers file jobless claims in just two weeks", *Politico*, accessed on April 2, 2020 at <https://www.politico.com/news/2020/04/02/unemployment-claims-coronavirus-pandemic-161081>

The CARES Act also created a new, immediate disaster grant at SBA. Using the current economic injury disaster loan (EIDL) program, these grants were designed and intended to deliver a quick infusion of capital, based simply on applicants self-certifying they are eligible. Further, grant recipients are not precluded from applying for a PPP loan, or continuing to pursue a full EIDL.

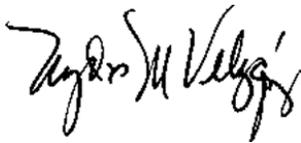
However, it does not appear that these programs are being implemented as Congress intended. On Tuesday, March 31st, SBA and the Treasury Department posted guidance on their websites to begin the rollout of the PPP.³ These documents did little to clarify how your Agencies would implement the CARES Act programs, creating more questions than answers about how borrowers and lenders could access PPP funding. In addition to the frustrations felt by lenders and small businesses, we are deeply concerned about the confusion surrounding eligibility for nonprofits, farmers, and cooperatives, among others.

Not only is there confusion as to the implementation of the PPP, we are concerned with recent reports stating that the guidance may in fact deter lenders from participating, which further puts small businesses at risk of accessing financial assistance.

We are also hearing that the EIDL grants are not being made in the manner Congress intended. Specifically, there have been reports that only “successful” applicants are given grants, and in amounts determined by SBA, not the borrower. Both scenarios are in direct contravention of the CARES Act text. First, EIDL applicants are entitled to receive a grant based on their attestation and self-certification they are eligible to be in the program. Secondly, Congress specifically stated that applicants, not the SBA has the sole authority to determine how much grant money they receive, up to \$10,000.

These are just a couple of the more serious concerns I am hearing from small business owners, lenders, and Members of Congress. I am deeply troubled by the prospect that the guidelines published so far will prevent these programs from reaching those hurting the most. Our 30 million small businesses derive a clear framework which includes detailed regulations for lenders and borrowers to follow. Therefore, I request a virtual meeting or conference call with you and your staffs on Friday, April 3, 2020.

Sincerely,



Nydia M. Velazquez
Chairwoman
House Small Business Committee

³ Assistance for Small Businesses, U.S. Department of the Treasury, accessed on April 2, 2020 at <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>; Coronavirus (COVID-19): Small Business Guidance & Loan Resources, U.S. Small Business Administration, accessed on April 2, 2020 at <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>