

**IMPLEMENTATION OF TITLE I OF THE CARES
ACT**

HEARING

BEFORE THE

**COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP
UNITED STATES SENATE**

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

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JUNE 10, 2020
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ONE HUNDRED SIXTEENTH CONGRESS

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IMPLEMENTATION OF TITLE I OF THE CARES ACT

WEDNESDAY, JUNE 10, 2020

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The Committee met, pursuant to notice, at 10:00 a.m., in Room SR-301, Russell Senate Office Building, Hon. Marco Rubio, Chairman of the Committee, presiding

Present: Senators Rubio, Risch, Scott, Ernst, Young, Kennedy, Romney, Hawley, Cardin, Cantwell, Shaheen, Booker, Coons, and Rosen.

Also present: Senator Collins.

OPENING STATEMENT OF HON. MARCO RUBIO, CHAIRMAN, A U.S. SENATOR FROM FLORIDA

Chairman RUBIO [In process]. As nationwide lockdowns shut down the economy, we, who worked on this, every member of this Committee and those outside of it, have two main priorities—the size of it, we wanted to make sure it reached enough businesses and people, and we needed to do it fast. This was not something we had weeks or months to work on. And I am proud that both of those goals were met.

The scope of the lockdown meant we needed sizeable relief. The appropriated funds for this program are now at \$670 billion. It sounds—it is a lot of money. It is larger than any other program enacted by the CARES Act. It is larger than the 2008 stimulus bill. By some estimates, it is the largest program since the New Deal.

But the speed of the lockdown also meant we needed to get funds to small businesses quickly. The CARES Act, just to walk everybody through this, was signed into law on March 27th. Exactly seven days later, thanks to extraordinary and tireless work, which is easy to criticize for some who are watching from the outside, but we are talking about people that were there overnight, 4, 5, 6, 7 in the morning, you know, barely time to get home, shower and change their clothes—thanks to the tireless work of people working under Secretary Mnuchin, and the Secretary himself, people working under Administrator Carranza, and herself, the Paycheck Protection Program began approving loans seven days after Congress passed it and the President signed it.

Small businesses received PPP funds before, millions of Americans received tax refunds before people started receiving unemployment checks, and other lending programs run through the Federal

Reserve are only just now beginning to operate. That is not a criticism of those things. That is just to describe the extraordinary effort that it took to stand up a program that did not exist in just seven days.

When this program began on April 3rd, no one on Planet Earth had ever made a PPP loan, had ever approved a PPP loan, had ever processed a PPP loan, or had ever applied for one, and in seven days that began.

The achievement of these priorities came at the expense of others. Some companies who should not have received the loans received them. We have read all about it. It should not have happened. They represent the minuscule percentage of the overall program, however, and most have since returned them. Computer systems were strained under unprecedented levels of activity. Guidance released to solve problems created unanticipated problems.

But again, I want to be clear. The bumps in the road were and are the price to pay, unfortunately, for a program that, in hindsight, we now know is among the most successful programs that government has ever done to rescue an economy.

Economists and financial forecasters predicted last month that May 2020 would be the worst month for job losses during the duration of the pandemic. It was expected. This is what everyone expected—eight million Americans would lose their jobs in May. They predicted that unemployment would be 20 percent. Some even speculated that it might end up surpassing the Great Depression's 24 percent rate.

What would that have looked like, and what would that have looked like given everything else that is going on in the world and our country right now? Well, I can tell you, on an economic point, it would have bankrupted the central promise of economic opportunity in our Nation. Without PPP's temporary lifeline, tens of millions of Americans would have been permanently separated from their livelihoods and stripped for long periods of time from the opportunity of dignified work. Many would quickly be condemned to poverty, some over generations. Parents would be unable to provide for their families, tied indefinitely to government assistance.

Without PPP, we would have faced the extinction of small businesses we know, and countless blocks of urban and suburban America would have been hollowed out. Vast expanses of empty lots with brick-and-mortar stores once stained communities. It is tough out there. There is still a lot of suffering, economic pain, and, of course, the pain related to this terrible disease.

But the most catastrophic visions did not come to pass. Instead, forecasters—to the surprise of forecasters and everyone, last month, 2.5 million Americans got their jobs back. The over \$500 billion in Paycheck Protection Program funds disbursed through April and May enabled businesses to keep or to quickly rehire workers as conditions allowed.

To date, 4.5 million American businesses have received loans equal to over \$500 billion, and this—we will know more when the forgiveness begins to come in—but this is equal to 50 million jobs. The average loan size is now down to \$112,000, an amount that, based on eligibility criteria, means that the average business receiving a PPP loan would one with 10 employees.

A recent survey by the National Federation of Independent Businesses noted that 77 percent of surveyed small business owners had applied for a PPP loan, and of that 77 percent, 93 percent had received funding.

As of June 6th, there are currently 424 community development financial institutions and minority depository institutions now in the program. They have accounted for more than 190,000 loans, valued at \$15.8 billion. And the SBA and Treasury have also set aside \$10 billion in PPP funds for CDFIs to continue to lend.

This is the record of a successful program, and again I want to thank everyone—the Secretary, the Administrator, all the members of the Senate, and our partners in the House, and, of course, the President—for not just passing this but working to implement it.

I do want to comment on the Economic Injury Disaster Loan program. The SBA, for the first time in its history, administered a nationwide disaster and grant advance program through an expanded version of the EIDL program, offering direct government lending and grants to eligible entities suffering injury due to the pandemic.

To date, the SBA has approved more than \$1.13 billion loans, of these loans, emergency loans, totaling about 79, almost \$80 billion, and 3.1 million emergency EIDL advances totaling another \$10.2 billion. The program has realized numerous challenges, both previously in responding to regional disasters, and, of course, under this current one.

In drafting the CARES Act, I raised concerns with the deficiencies of the existing EIDL program as a whole, which only accounts for roughly 2 percent of the disaster loans made by SBA. In particular, I was concerned that it would be challenging for the agency to handle a disaster of this extraordinary magnitude. As such, the concept of using traditional lenders instead of direct government loans to ensure capital was reaching the hands of small businesses as fast as possible was one of the reasons that gave rise to PPP.

I commend the agency for standing up the EIDL program nationwide to respond to an unprecedented volume of applications within a very short period of time. Today, unfortunately, we see similar and new EIDL challenges for borrowers, including long processing and disbursement timelines and communication issues. As many businesses are also relying on assistance through EIDL to rebuild after the economic disruptions caused by this pandemic, we look forward to the agency addressing the current EIDL challenges and how Congress, how we, on this side, can work to support the agency in making improvements to this program.

Today is an oversight hearing. There are many issues that myself and members of this Committee would like to raise to help keep this program running smoothly, especially as some businesses approach filing for loan forgiveness as early as this month. But we should begin by putting these issues in perspective and recognizing the choices that Congress and the administration had to make in order to make this program succeed.

With that I now recognize the Ranking Member, Senator Cardin, for his opening statement.

**OPENING STATEMENT OF HON. BENJAMIN L. CARDIN,
RANKING MEMBER, A U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Well, Mr. Chairman, first thank you for convening this hearing, but more importantly, thank you for your leadership in the role that this committee has played in a nonpartisan manner in order to help the small businesses of America. This has been a proud moment of our Senate careers in working together to develop three very, very important programs to help small businesses during COVID-19. We did that in a way that put the interest of our Nation first and the interest of small business and their workers.

Secretary Mnuchin, welcome to the Committee. I personally want to thank you for your availability. You have been always available to talk with us, to try to work out how this program could be administered in a seamless way. And I thank you for your personal leadership to make these programs work as effectively as we can through the administration and then working with Congress as to the need for legislative changes.

Administrator Carranza, please accept our appreciation for the incredible work of your agency. As Senator Rubio pointed out, you stood up a program literally overnight that has provided 4.5 million loans, over \$510 billion, in an incredible effort, and we thank you very much for the hard work of the members of your agency.

This Committee helped craft, and I was proud to be part of a drafting committee consisting of four Senators—Senator Rubio, Senator Collins, who is with us today, Senator Shaheen, and myself—that put together and listened to all the members of this Committee and the Senate and stood up three programs—the PPP program that has received most of the attention, but also the EIDL grant program, as well as the loan forgiveness program.

When we initially created the 8-week-long PPP program in March, we thought that our economy would be performing at a more normal level than it is today. So an 8-week period for small businesses to spend their loan seemed reasonable. As communities began the process of reopening, it is now clear that many small businesses will not be up and running at the end of the 8-week period, which, for many, as Chairman Rubio has pointed, will occur this month.

I was proud to see the Senate act responsibly last week, passing bipartisan legislation that gives businesses with existing and new PPP loans the discretion to use those loans over a 24-week period, rather than the 8-week period.

PPP is working for many employers, and the May monthly job report released by the Labor Department last Friday is proof. Of the 2.5 million jobs added back to the American economy last month, more than 1.4 million were jobs of employers in the food service industry, many of whom secured loans through our programs.

However, the depth of the economic challenge facing this country, the National Bureau of Economic Research announced this week that the United States economy is in a recession, and that the unemployment rate remains at a historic high level, 13.3 percent, a level that we have not seen since the Great Depression. For minorities, the unemployment rates are even much higher.

While the PPP's success is a laudable accomplishment, there have been challenges in the program that have come into sharper focus, given the massive protests our Nation has witnessed over the past two weeks. The protests sparked by the death of George Floyd has raised the awareness of the disparate public health and economic consequences of the COVID-19 pandemic on communities of color, black Americans in particular.

Civil rights is still the unfinished business in America. More than 50 years ago, the Kerner Commission created by President Lyndon Johnson warned of the negative consequences of continued inequality. That was 50 years ago. The Commission wrote in its report that America was headed toward two societies, one black and one white, separate and unequal.

Mr. Chairman, there is no question that our country has made strides in the decades since the Kerner Commission released its report, but there remains an economic divide between black and white America. In 1968, a typical middle-class black family had less than one-tenth of the wealth of a typical middle-class white family. It is the same today, and it exists at every level of education attainment. A 2018 report found that there are no actions that black Americans can take unilaterally that will have much of an effect on reducing the racial wealth gap.

For black small business owners and other underserved entrepreneurs, the wealth gap is even made worse by the difficulty in getting lending. Minority business owners are two to three times more likely to be denied loans than non-minority business owners, and are more likely to receive less funding and pay higher interest rates on the loans that they do receive.

It is with this inequality in mind that Senator Shaheen and I drafted language in the CARES Act instructing the SBA and Treasury to issue guidance to financial institutions participating in the PPP program to prioritize loans from underserved small businesses. We wanted to prevent history from repeating itself, because we knew that during the 2008 financial crisis, small business lending to minority-owned businesses fell dramatically and never fully recovered.

Secretary Mnuchin and Administrator Carranza, these well-documented disparities are why I was so disappointed to read, in the SBA IG's recent Flash Report, which was prepared at the request of Senators Schumer, Brown, and myself, the report found that the SBA's implementation of PPP did not fully align with congressional intent of the CARES Act, because the SBA did not provide guidance on prioritizing underserved and rural markets.

Further, the report found that the SBA has failed to collect demographic information for small businesses seeking SBA loans. While I appreciate the SBA will be collecting demographic information on loan forgiveness forms, and has set aside an additional \$10 billion, that the Chairman mentioned, and Secretary Mnuchin announced in regards to the CDFIs, it is important that the SBA follow the Inspector General's call to provide guidance to lenders that prioritize underserved markets.

Underserved markets often do not have access to traditional banking institutions. That is why the SBA's existing Economic Injury Disaster Loan and grant programs are so important. I remain

discouraged that these programs, which have great potential to help small businesses seek to adapt to the new reality of the post-COVID economy, have reached fewer small businesses than we had hoped.

We are not alone in this. We have a copy of a letter from all the members of the House Small Business Committee, all the Democrats and Republicans, expressing their frustration on the administration of the EIDL program, the slowness of getting grant applications approved, the closing of the window in regards to non-agricultural applications, the arbitrary cap that was put on the program, as well as the fact of the lack of transparency.

We need to do better. EIDL serves a particular role for businesses. It can be used for working capital needs and may be more desirable for the smallest of small businesses that do not have many employees. The program is especially important for minority-owned and other underserved small businesses, which are less likely to have more than one employee, and have fewer employees on average.

Unfortunately, the administration has not administered EIDL in a manner that makes it a reliable resource for small businesses. The administration has put in place requirements and limitations without notifying borrowers, such as a decision to cap the loans at \$150,000, even though the statute allows the loans to go up to \$2 million.

In May, the administration also made the decision to stop taking applications from non-farm small businesses, meaning restaurants, retailers, and other mom-and-pop establishments have not had access to EIDL since mid-April. Small businesses are relying on you to make EIDL loans more accessible. The administration must become more transparent. In the months since the passage of the CARES Act, Congress has been pushing for additional data on who is receiving this aid, and I appreciate that Chairman Rubio and I have joined together in making that request, and we have worked with the administration, and we have gotten some of the information, but we need more of the information.

We are extremely disappointed to learn that GAO has had the same problems that we have had, and has not gotten the information they need to carry out their oversight function in the Executive branch, as well as the difficulties we have in the Legislative branch. How can we know which businesses still need help if we do not know which businesses have received help?

Senators Coons, Shaheen, and I are pursuing legislation to help those most in need to receive additional PPP funding, but we need the data to ensure this assistance is as effective as possible. I think we all agree there is going to be a need for a second round, but how are we able to get that second round if we do not have the full information on how the first round has operated?

We believe that the aid should go to the smaller of the small businesses. We believe it should go to those that are most in need. There should be a needs test. We believe it should go to the underserved communities, particular rural areas, minority businesses, but we need to have the data in order to make those decisions.

Finally, we must do more to ensure that underserved small businesses have the tools and resources they need to adjust to the long-

term economic effects of COVID-19. I was proud to work with Senator Booker to release a plan outlining steps Congress can take to provide greater help for small businesses in underserved communities with regard to start-up and operating capital, as well as technical training and mentorship.

The aim of our plan is to ensure that when we make it through this pandemic and when we have the next economic downturn we have institutions, programs, and knowledge to support small businesses, underserved small businesses in a timely way.

Mr. Chairman, I am under no illusions about the tall tasks ahead of the Senate as we work to finally rid our Nation of these inequalities. Before we can begin to make further progress we must work hard to secure the progress we have already made, which is at risk in regards to COVID-19.

Last week, at our hearing, Connie Evans of the Association of Enterprise Opportunity, told our Committee that the economic consequences of COVID-19 are projected to erase decades of minority enterprise growth in the underserved markets. We cannot let that happen.

The Wall Street Journal headline today says “Virus Obliterates Black Job Market.” We need to take action to make sure this does not happen.

I look forward to this hearing and learning more from Secretary Mnuchin and Administrator Carranza about what the Trump administration is doing to ensure that minority-owned and other underserved businesses are not left behind during this crisis.

Thank you, Mr. Chairman.

Chairman RUBIO. Thank you. I will now turn to our witnesses. Secretary Mnuchin, welcome to the Committee and thank you for joining us here today.

**STATEMENT OF HON. STEVEN MNUCHIN, SECRETARY OF THE
TREASURY, U.S. DEPARTMENT OF THE TREASURY**

Secretary MNUCHIN. Chairman Rubio, Ranking Member Cardin, and members of the Committee, thank you for this opportunity to highlight the efforts of the Treasury and the SBA to provide relief to businesses and their workers through the Paycheck Protection Program. We are committed to working with you to ensure that every American gets back to work as quickly as possible.

America’s economy has begun to rebound and our recovery is underway. While estimates predicted nearly 8 million jobs lost in the month of May, the actual data showed 2.5 million jobs gained, the largest one-month jobs gain in recorded history. Both the jobs that were saved and the jobs that were hired are a large extent as a result of this program, so thank you very much.

Several other indicators show that we are well-positioned for a strong, phased reopening of our economy. The U.S. Chamber of Commerce announced last week that 79 percent of small businesses are at least partially open, with half of the businesses that remain closed planning to reopen very soon.

The personal savings rate, released on May 29th, had a record high 33 percent of disposable income, indicating that people have built up cash reserves during the pandemic and will be in a position to resume consumer activity as businesses open.

This economic positioning is the direct result of the administration and Congress working together to pass bipartisan legislation to provide necessary liquidity to workers and markets. The PPP has kept tens of millions of employees connected to their jobs. The National Federation of Independent Business found that 73 percent of its members surveyed rehired or retained workers due to the PPP. Economic Impact Payments and enhanced unemployment insurance are providing relief to millions of families and workers experiencing distress. The announcement and implementation of the Federal Reserve lending facilities are also enhancing the flow of credit for industries across the economy.

We continue to monitor conditions closely, as certain industries are rebounding more quickly than others. For example, after losing nearly 1 million construction jobs in April, nearly half of those jobs returned in May. By contrast, retail lost over 2 million jobs in April and 16 percent of those positions returned in May. We remain confident that the overall economy will continue to improve dramatically in the third and fourth quarters of this year.

Turning to the PPP, the SBA and Treasury worked together to launch this unprecedented program in a very, very short period of time. In less than two months, the PPP is supporting the employment of approximately 50 million workers and more than 75 percent of the small business payroll in all 50 states. This is an extraordinary achievement and we appreciate the work of this Committee.

As you might expect with a program of this magnitude executed on a national scale in record time, we initially experienced some complications. We resolved them quickly. To implement this program, our teams have worked with Members of Congress on a bipartisan basis to issue a series of rules and guidance to provide clarity to the members of the public, as well as borrowers and lenders. By standing up the program quickly, we were able to support tens of millions of workers who may have otherwise been laid off or furloughed.

Aside from the administration's implementation efforts, we have worked closely with Members of Congress in both parties to pass two subsequent pieces of critical legislation. We reached agreements on a second round funding for over \$300 billion, providing businesses with more time and flexibility to keep their employees on the payroll, and ensure continued operations as we safely reopen. Thank you, Mr. Chairman, and the other members of this Committee for your work in building this program and helping workers and families throughout our Nation.

I would note that while the PPP is a very important part, it is only one part of the CARES Act, but the single largest economic relief effort in history. Treasury has been hard at work:

Economic Impact Payments. We have distributed nearly 160 million payments worth more than \$260 billion, in record time.

Programs to Support Aviation and other Eligible Businesses. We have approved the disbursement of over \$27 billion to more than 500 airlines and other businesses, preserving hundreds of thousands of jobs.

The Coronavirus Relief Fund. We have disbursed nearly all of the \$150 billion appropriated for state, local, and tribal govern-

ments. In doing so, we have provided recipients with as much flexibility as possible under the statute.

And with the Federal Reserve Facilities, we have committed approximately \$200 billion in credit support for Federal Reserve lending facilities under the CARES Act. That money that is going to promote the flow of credit to businesses, households, and state and local governments, as well as to restore liquidity and funding to credit markets. The Federal Reserve, in consultation with the Treasury, has modified the terms of the lending programs since they were announced to ensure broad access to credit and liquidity. We have over \$250 billion remaining to create new or expanded programs with the Fed, as needed.

In conclusion, I am proud of the work we have done with all of you. We will overcome the unprecedented challenges before us together and make sure that every American gets back to work as quickly as possible. I look forward to your questions. Thank you.

[The prepared statement of Secretary Mnuchin follows:]

**Statement of Secretary Steven T. Mnuchin
Department of the Treasury
Before the Committee on
Small Business and Entrepreneurship
United States Senate
June 10, 2020**

Chairman Rubio, Ranking Member Cardin, and members of the Committee, thank you for this opportunity to highlight the efforts of Treasury and the Small Business Administration (SBA) to provide relief to businesses and their workers through the Paycheck Protection Program (PPP). We are committed to working with you to ensure that every American gets back to work as quickly as possible.

Economic Outlook

America's economy has begun to rebound, and our recovery is underway. While estimates predicted nearly 8 million jobs lost in the month of May, the actual data released Friday showed 2.5 million jobs gained—the largest one-month jobs gain in recorded history.

Several other indicators show that we are well-positioned for a strong, phased reopening of our country. The U.S. Chamber of Commerce announced last week that 79 percent of small businesses are at least partially open, with half of the businesses that remain closed planning to reopen very soon. The personal savings rate for the month of April, released on May 29, was a record high 33 percent of disposable income, indicating that people have built up cash reserves during the pandemic and will be in a position to resume consumer activity as businesses open. Likewise, investors and businesses have increased cash positions, with data indicating that over \$1 trillion has flowed into money-market mutual funds since February. This data point, among others, shows the availability of private capital to re-invest into commercial operations.

This economic positioning is the direct result of the Trump Administration and Congress working together to pass bipartisan legislation to provide necessary liquidity to workers and markets. The PPP has kept tens of millions of employees connected to their jobs. The National Federation of Independent Business found that 73 percent of its members surveyed rehired or retained workers due to the PPP. Economic Impact Payments and enhanced unemployment insurance are providing relief to millions of families and workers experiencing distress. The announcement and implementation of Federal Reserve lending facilities are enhancing the flow of credit for industries across the economy.

We continue to monitor conditions closely, as certain industries are rebounding more quickly than others. For example, after losing nearly 1 million construction jobs in April, nearly half of those jobs returned in May. By contrast, retail lost over 2 million jobs in April and 16 percent of those positions returned in May. We remain confident that the overall economy will continue to improve dramatically in the third and fourth quarters.

Paycheck Protection Program

Turning to the PPP, the SBA and Treasury worked together to launch this unprecedented program in only 6 days. In less than two months, the PPP is supporting the employment of

approximately 50 million workers and more than 75 percent of the small business payroll in all 50 states. This is an extraordinary achievement.

As you might expect with a program of this magnitude executed on a national scale in record time, we initially experienced some complications. We resolved them quickly. To implement the program, our teams have worked with members of Congress on a bipartisan basis to issue a series of rules and guidance to provide clarity to members of the public, as well as borrowers and lenders. By standing up the program quickly, we were able to support tens of millions of workers who may have otherwise been laid off or furloughed.

Aside from the Administration's implementation efforts, we have worked closely with members of Congress in both parties to pass two subsequent pieces of critical legislation. We reached agreements on a second round funding for over \$300 billion and on providing businesses with more time and flexibility to keep their employees on the payroll, and ensure their continued operations, as we safely reopen. Thank you, Mr. Chairman, and the other members of this Committee for your work in building this program that is helping workers and families throughout our nation.

Other CARES Act Programs

I would note that while the PPP is a very important program, it is only one part of the CARES Act—the single largest economic relief effort in history. Treasury has been hard at work:

- **Economic Impact Payments:** We have distributed nearly 160 million payments worth more than \$260 billion in record time.
- **Programs to Support Aviation and other Eligible Businesses:** We have approved the disbursement of over \$27 billion to more than 500 airlines and other businesses to preserve hundreds of thousands of jobs.
- **Coronavirus Relief Fund:** We have disbursed nearly all of the \$150 billion appropriated for state, local, and tribal governments. In doing so, we have provided recipients with as much flexibility as possible under the statute.
- **Federal Reserve Facilities:** We have committed approximately \$200 billion in credit support for Federal Reserve lending facilities under the CARES Act, money that is going to promote the flow of credit to businesses, households, and state and local governments, as well as to restore liquidity and funding to credit markets. The Federal Reserve, in consultation with Treasury, has modified the terms of the lending programs since they were announced in order to ensure broad access to credit and liquidity for American businesses. We have over \$250 billion remaining to create or expand programs as needed.

Conclusion

I am proud of the work we have done with all of you. We will overcome the unprecedented challenges before us together, and make sure that every American gets back to work as quickly as possible. I look forward to your questions.

Chairman RUBIO. Thank you. And Administrator Carranza, welcome back to the Committee.

**STATEMENT OF HON. JOVITA CARRANZA, ADMINISTRATOR,
U.S. SMALL BUSINESS ADMINISTRATION**

Ms. CARRANZA. Thank you, Chairman. Good morning, Chairman Rubio, Ranking Member Cardin, and members of the Committee. Thank you for inviting me to testify on the progress in implementing the CARES Act.

The CARES Act created extraordinary programs for the agency. Our work over the last three months has been unprecedented. Let me provide you with some perspective on the historic work that the SBA has been engaged in over the last several months.

SBA, in very close coordination with Treasury, stood up the multi-billion-dollar Paycheck Protection Program in a matter of days. The dedicated and professional staff at SBA helped to launch the program three days ahead of the 10-day deadline imposed by the CARES Act. In fact, during the first round of funding, SBA processed more than 14 years' worth of loans in less than 14 days. In order to help businesses who needed assistance, we also created a simple, two-page application for borrowers, to streamline the process.

Since late March, we issued 16 interim rules and 48 Frequently Asked Question documents, while providing your offices with regular reports on daily lending data, coupled with detailed program overviews.

As of today, the PPP has approved over 4.5 million loans for over \$511 billion in much-needed financial relief to America's small businesses.

We administered this program with an eye focused on recognizing that this pandemic had been particularly harmful to socially and economically disadvantaged businesses. In fact, 45 percent of the PPP loans, both in terms of volume and total value were disbursed in low-income areas.

To achieve this, we also reduced administrative roadblocks so that more lenders could participate in the program. The agency signed up 3,600 new lenders, including community banks, credit unions, fintech companies, farm credit lenders, and hundreds of CDFIs and MDIs that specialized in providing liquidity in unprecedented communities—in underrepresented communities.

As of today, the PPP still has \$130 billion in available funds. I ask for your assistance in continuing to raise awareness among your constituents that funds are still available for small businesses that need assistance. In our Entrepreneurial Development Program, the agency worked closely with the resource partner associations as well as Committee staff to allocate dollars for 62 SBDCs and 113 Women Business Centers. We also allocated funds and worked with the associations on deployment of a web site now available for all small businesses to utilize.

With our Disaster Assistance Program, the Agency worked around the clock to create and implement a new system for EIDL advances. This was a first for the Agency, and we have now processed and disbursed monies to all businesses requesting an emer-

gency grant, except for certain businesses that still need to clarify their information.

With our EIDL loans, we have distributed more dollars for COVID than for all disasters combined in the 67-year history of the Agency. All of you remember the devastation created in 2017, by Hurricanes Harvey, Irma, and Maria, three of the costliest storms on record. SBA disbursed over \$7 billion. That amount represented 8 percent of the total COVID-related disaster funding approved by the Agency since mid-March.

With respect to the debt relief provisions of the Act, SBA issued guidance and conducted outreach to lenders and borrowers. The Agency has provided over \$2 billion in principal and interest payments on current SBA business loans over the last two months.

Before I close, let me briefly discuss how we are improving SBA's operations. Under my leadership, we have managed all the CARES Act programs while also continuing to build an organization. I have created an internal oversight plan for each CARES Act program, and to manage the millions of business and disaster loans. The Agency has brought on thousands of staff to support our COVID disaster operations, while still servicing 175 natural disaster declarations.

We have hired a new CFO, CIO, General Counsel, and Program Director for the Office of Faith-Based Initiatives. I have also overseen changes within our contracting and investment programs, which many of you raised with me previously. For instance, in March, I changed leadership in the Office of Investment and Innovation, streamlined the licensing process, and licensed our first active SBIC in Puerto Rico in over two decades. We are also on track to fund new licenses for women and minority firms.

I have partnered with other Federal agencies, among them USDA, CFPB, Treasury, GSA, and FEMA. They have helped inform our immediate economic response efforts and several continue to advise us on the important task of long-term small business economic recovery, and we have done all this while operating on a telework status, as many of you have.

Thank you again, Mr. Chairman and members of the Committee, for the opportunity to testify today.

[The prepared statement of Ms. Carranza follows.]



**Statement of Jovita Carranza
Administrator
U.S. Small Business Administration**

**before the
Senate Committee on Small Business & Entrepreneurship
Hearing on "Implementation of Title I of the CARES Act"**

June 10, 2020



**Statement of Jovita Carranza
Administrator
U.S. Small Business Administration**

Good morning, Chairman Rubio, Ranking Member Cardin, and members of the committee. Thank you for inviting me to testify today.

The CARES Act established extraordinary programs for the U.S. Small Business Administration (SBA), and the agency's work over the last two months has been unprecedented in comparison to the SBA's previous annual operations. Let me take an opportunity to outline that work for you and report on our progress.

The primary focus of Title I of the CARES Act is the Paycheck Protection Program (PPP), as laid out in Sections 1102 and 1106. Since passage of the Act, the agency has worked tirelessly with the Department of the Treasury (Treasury) to stand up a multi-billion dollar small business economic relief program. The agency rolled out the program six days after enactment of the CARES Act, and we continue to manage a program that has provided over 4.5 million loans for over \$510 billion in much-needed financial relief to America's small businesses.

Through collaboration with Treasury, we have issued program rules and guidance through 16 Interim Final Rules (IFRs), 48 Frequently Asked Questions (FAQs), and numerous other participant forms, detailed guidance, and materials, to date. The agency has been providing regular information to congressional offices on daily PPP lending data and a weekly PPP program overview. The daily data release includes a total loan count, lender count, and total dollars approved for loans in the program. The weekly data release includes those topline figures and also provides multiple slides and a very detailed breakdown on the loans by lender size; figures on loans and dollars approved by state and territory; and an overview of the loans made to businesses by industry sector. All this information is available on the SBA website.

Since the beginning of the PPP, the agency, through our Office of Capital Access, has approved over 3,600 new lenders. This includes non-bank and non-traditional lender institutions who have never before participated in SBA lending programs. Through the hard work of the staff managing the lending system, the program office approved over 63,000 new users to the loan management portal, E-Tran, resulting in over 3 million system actions, such as providing user access, password resets, and account changes. The agency also reviewed and approved over 400 new franchise systems to the agency's franchise directory.

The subsequent legislation (P.L. 116-139) that extended funding for the PPP included funding categories to ensure that economic relief opportunities remain available for smaller-sized lenders and the small businesses they serve. As the weekly data set shows, over 5,300 lenders are in the smallest lender category, and they have made the highest number of loans so far. We created equity in the program through diversifying the pool of authorized lenders, including community banks, credit unions, fintech companies, farm credit lenders, and minority-focused institutions. We have been very encouraged by over 420 Community Development Financial Institutions (CDFIs) and Minority Development Institutions (MDIs) participating in the program. CDFIs and

MDIs have approved over \$15 billion in loans and are also part of over \$96 billion in small business relief provided by the smallest of the PPP bank and non-bank lenders.

Entrepreneurial development and the role of the agency's resource partners in the pandemic economic response is provided for in Section 1103 of the CARES Act. The section enables education, training, and advising of small businesses through Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs). Following passage of the CARES Act, the agency's Office of Entrepreneurial Development (OED) has worked very closely with the leadership of the two resource partner associations to develop funding agreements and establish goals and metrics for those agreements. The agency has awarded grants to all 62 SBDC lead centers, totaling over \$191.6 million, and to all 113 WBCs, totaling over \$44.4 million. In addition, the agency worked with the associations on development and funding of a common website, another provision in this section. This centralized hub is operational and available to all small businesses. With SBDCs located at colleges and universities, this has become a much-needed resource for small businesses in a time when university access has been limited.

Section 1104 of the Act makes a very helpful adjustment in the use of funds under the agency's State Trade Expansion Program (STEP). The section permits fiscal year funds to be extended for use through fiscal year 2021. This gives state governments and state trade organizations the opportunity to utilize funds that might otherwise expire at the end of this fiscal year. Many trade events and international trade missions were affected by pandemic-related travel restrictions, and the Act also allows the agency to reimburse states for cancelled foreign missions or trade shows. SBA's Office of International Trade (OIT) was quick to issue guidance in early April, and OIT modified quarterly STEP reporting requirements to include reimbursement for COVID-19 related losses. The funding flexibility with respect to fiscal year use and reimbursement for unexpected limitations on foreign travel are welcome accommodations within a program that I know many of you so strongly support.

Section 1110 of the Act provides for emergency grants to disaster loan applicants. At the time of bill development, the agency shared with committee leaders the challenges associated with creating and implementing an entirely new distribution system for disaster grants. The agency requested additional time for disbursement of the advances, longer than the 3 days as referenced in the bill. Notwithstanding the bill language, we worked very hard to stand-up that system and were pleased to be able to process checks beginning in 7 business days from enactment of the Act. The agency has distributed over three million advances to small businesses so far. To reach as many applicants as possible, and after consulting members of the committee, the advances are structured on a per-employee basis, from \$1,000 up to \$10,000. At this time, the agency has processed and disbursed monies to all eligible businesses requesting an emergency grant/advance. There are some businesses awaiting advances that need to clarify eligibility or bank information.

With respect to the economic injury disaster loan (EIDL) program, SBA's Office of Disaster Assistance (ODA) has now approved and distributed more in loans for COVID-19 than for all other disasters combined in the history of the agency. ODA provides weekly data reflecting the number of approved loans to small businesses and the associated dollars. The agency was processing disaster loans in response to the COVID-19 pandemic prior to passage of the CARES

Act, which made structural changes to the disaster program. We modified the program to the new criteria and continued to process loans until reaching the limit of our previous funding amount. We were appreciative of Congress approving additional subsidy in recent legislation, which also included further eligibility changes to the program for agricultural enterprises. After modifying the program again to those new standards, loan processing resumed and has been continuous since.

Another provision of the CARES Act, Section 1111, provided for the availability of resources and services to small businesses in the 10 most commonly spoken languages in the United States other than English. The section required those languages to include Mandarin, Cantonese, Japanese, and Korean. I am pleased to share that the agency has made resources available to small businesses in 17 different languages, as follows: Spanish; Arabic; Chinese (Mandarin/Cantonese) Simplified; Chinese (Mandarin/Cantonese) Traditional; French; German; Gujarati; Haitian Creole; Hindi; Italian; Japanese; Korean; Polish; Portuguese; Russian; Tagalog; and Vietnamese. The agency developed the expanded list of language offerings with input from our Office of Field Operations, the program office which comprises the agency's district office staff. As you know, our district staff are an essential part of the agency's small business assistance. They are very directly engaged with small business owners and were able to reflect the language needs in their respective regions in generating the translated resources. We encourage all congressional offices to fully utilize these materials and services.

Section 1112 of the CARES Act provided for debt relief for existing SBA business loan borrowers. The section provides principal and interest payments for a period of six months for small business borrowers. This financial assistance is available for existing or new SBA business loans through the agency's 7(a), Microloan, Community Advantage, and 504 programs. In advance of the April payments on those business loans, the agency's Office of Capital Access conducted outreach and provided procedural notices to lenders regarding these debt relief provisions. They were supported by our district staff, who also messaged the opportunity. The Office of Capital Access continues to promote the debt relief availability through lender conference calls and direct communication. A debt relief information paper and overview are also included in the translated language materials mentioned previously. In April, the agency provided debt relief to over 263,000 borrowers for over \$1.03 billion. In the month of May, the agency provided further relief to over 280,000 borrowers for over \$1.12 billion.

Let me also share agency program office activity outside of the CARES Act. SBA's Office of Government Contracting and Business Development (GCBD) conducted extensive outreach to federal contracting stakeholders to provide COVID-19 guidance. The program office was very responsive to federal agencies in processing waivers, resulting in set-aside awards for small businesses. GCBD staff created curricula for 7j training-eligible firms addressing COVID-19 impacts, like meeting payroll and continuity of operations. The agency conducted outreach to thousands of small business contractors who might meet federal agency PPE and COVID-19 requirements, and our staff connected them with the appropriate federal agencies. GCBD staff also implemented program flexibilities to lessen the COVID-19 related burdens on HUBZone and 8(a) program participants.

Lastly, I want to outline the actions we are taking as an agency to fulfill our governance responsibilities in managing CARES Act programs and funds. In view of new program requirements and the appropriated dollars contained in the Act, I created an integrated, agency-wide team that will coordinate SBA's internal oversight. Led by our Office of the Chief Financial Officer, this team is overseeing the execution of funding, developing quality assurance processes, will measure program performance, and will support the deployment of appropriate resources for compliance.

I want to close by expressing my appreciation for the members of this committee, for your support of the agency throughout our implementation of the CARES Act, and for your commitment to America's small businesses. These are challenging times for our nation's small business owners and entrepreneurs. The programs enacted through the CARES Act are essential economic relief programs, and I will continue working with you to ensure their ongoing success.

Thank you again, Mr. Chairman, and members of the committee, for the opportunity to testify today.

Chairman RUBIO. Thank you to both of you. I am going to defer the balance of my questions so we can get to all the members. I just have one sort of matter I want to clear up.

Secretary Mnuchin, in a joint statement you released with the Administrator this week you indicated that borrowers which failed to spend 60 percent of their loan on payroll costs will continue to be eligible for partial loan forgiveness. Can you confirm that this statement means that borrowers failing to meet the 60 percent requirement will still receive loan forgiveness equal to their payroll costs and a proportional amount of non-payroll costs?

Secretary MNUCHIN. Yes.

Chairman RUBIO. Thank you. To the Ranking Member, Senator Cardin.

Senator CARDIN. Once again, thank you both for your work and for being here today. I want to ask my first question on the EIDL program, and we have talked about this, but I just want to underscore why this is so important to us. And I am going to give you a specific example of a Maryland Small Business owner, Nick Johnson, who runs a small furniture company, 28 workers. He applied for a PPP loan and got it. He applied for the EIDL, because he needed the funds for working capital and it gave him a 30-year loan program so that he could use it for working capital.

He applied for it immediately, in March. Two months later, he heard he was eligible to receive \$380,000 under the formula, but was capped at \$150,000, rather than \$380,000. As a result of not being able to get those funds, he had to go into his PPP funds and lay off workers.

So we intended for the EIDL program and the PPP program to work together. And Madam Administrator, I appreciate the fact that you have issued so many EIDL loans compared to the historic record, but we have never had a universal disaster before. And the volume level, as we understand it, only 15 percent of the loans were processed and that there is still a huge backlog in processing these loans. And we made significantly more capacity available to you through the appropriation process so that you could issue a lot more of these loans.

You put a cap on the program. We do not understand why. You have delayed the applications of those that have already been filed, and you have closed the window on non-agricultural programs. Why is the EIDL program not being used to its full capacity, and what can we expect in the future, moving forward?

Ms. CARRANZA. Senator Cardin, I agree with your frustration and your assessment of the delayed process. However, let me start out with the agricultural, small farms and the co-ops. We have since, when it was announced that we were able to accept the ags, over 146,000 ag concerns. They have several billion, close to \$2 billion in loan value. They have also taken advantage of the advance, the grant.

The average loan that we are experiencing currently is \$68,000. We expected them to really be the community that was going to access the \$150,000.

We were averaging about—we were anticipating about \$83,000 in average loan and they are coming in at \$63,000, \$65,000.

Senator CARDIN. But what is the rationale for \$150,000 cap when the law says—the statute says up to \$2 million?

Ms. CARRANZA. Well, when we first opened up the portal to accept disaster, or EIDL COVID applications back in March, we went from 85,000 loans in one day, and in four days the input, the demand increased to 3.8 million applications.

Senator CARDIN. But as I understand it, with the additional appropriations you can go up to \$350 billion in EIDL loans, and I do not think you are anywhere close to a fraction of that today.

Ms. CARRANZA. Yes, but at that time, sir, we had \$7 billion available. We exhausted those \$7 billion to the subsidy, given the approval—

Senator CARDIN. The same thing was true with PPP. We made money available. The window opened quickly. You processed the new loans quickly. You have not done that for EIDL. We made more funds available and they have not been processed.

Ms. CARRANZA. I understand, sir, but when you look at an EIDL government loan program it is exactly that, whereas PPP was designed with various distribution channels. So if you go from 1,800 banks in the PPP up to about 5,400 banks, they now have—the small businesses have over 5,000 access channels, whereas—

Senator CARDIN. I understand that. So let me just point out, the PPP applications have slowed down. We have not seen the EIDLs pick up. This is unacceptable. The EIDL program has to operate at a much more efficient level. You need to let us know if you need more help.

Secretary Mnuchin, I want to ask one question in regards to those who had criminal records. You issued a regulation that prevented them from participating in the PPP program. We have talked about this. There is bipartisan legislation and broad support in the Senate to allow those that have repaid their debt to society to be able to participate in the PPP program, with the exceptions of those that have committed economic fraud type offenses.

We have been trying to do this administratively. Can we get it done administratively, or are we going to have to pass a bill?

Secretary MNUCHIN. So thank you, and first of all we appreciate all the communication we have had with you on this issue and other issues. We are actually in the process of putting out guidance that I think will come out today, reducing it from five years to three years, as a result of your input, and we are happy to work with you and the Chairman to see if we should reduce it even more.

Senator CARDIN. Well, I appreciate that. I did not appreciate it was put in in the first place, but I appreciate the fact that we have made some progress. I can assure you that we would like you to go probably further than that. We will have those conversations, and if we have an opportunity let's work together on legislation so we do not run into this problem in the future. It is bipartisan.

Senator Portman, Senator Lankford and others have all joined in this legislation. The Chairman has interest. So let's see whether we cannot work that out.

Thank you, Mr. Chairman.

Secretary MNUCHIN. And I would suggest, I am happy to speak to you and Chairman Rubio tomorrow, and if you want us to shorten it we will consider that even more quickly.

Senator CARDIN. Thank you. I appreciate it.

Chairman RUBIO. Senator Risch.

Senator RISCH. Well, Secretary Mnuchin, I think this is a historical moment, the first time we have had the Secretary of the Treasury before this Committee, I think.

Chairman RUBIO. I think it was the change in leadership.

Senator RISCH. Yeah, I think it is probably the strength of the leadership of the Committee that has caused that. But anyway—

Chairman RUBIO. He was up here—

Senator RISCH. He knows that. Steven, when they write the history of this, I think you are going to have your own chapter in that history book. You know, I have spent all my life in public service, one way or another, and I have got to tell you, when this whole thing hit, this was a tremendous challenge for the United States of America. And I always am reticent to believe that the government can step in and fix things easily. Sometimes they make things worse than what they are.

But I have to tell you, I have just been incredibly impressed by your leadership as we have gone through this. I do have some inside information, because Senator Crapo and I are very, very close personal friends, and I know you and he are on speed dial with each other and talk regularly. And I had some issues with it, with the program, like everybody did, and I was just absolutely stunned at the way that you stepped up, personally, to take on these issues, and the team that you put around you to take on these issues, and your willingness to be flexible as far as making these things work.

This has been a great success. You do not read that in the media or hear it on cable news. They are focused on the glitches, and when you are talking about throwing \$3 trillion against the wall there are certainly going to be glitches.

They are focused on that.

But I can tell you, as I get out there and talk with the business people in Idaho, and for that matter around the country, there is tremendous appreciation for what the government has done, particularly appreciation for what the United States Treasury has done administering these programs. And there are millions of businesses and there are tens of millions of people who are a lot better off, because of your leadership and the administration's leadership in taking this thing on head-on.

So thank you for what you did. I want you to know that notwithstanding a lot of the stuff you read, there is great appreciation amongst the American people. I think history is going to judge you very favorably as we go forward.

I have got just a couple of quick questions for you. Number one, are you as surprised as I was as to how the economy is bouncing back? I mean, if somebody would have told me 60 days ago that the NASDAQ was going to set a new record in early June, I would have bet the farm against that. Were you as surprised as a lot of people that the economy is coming back as quickly as it is coming back, admittedly with some sectors more so than others. What are your thoughts on that?

Secretary MNUCHIN. Well, let me just say, first of all, thank you for those kind words. As I have repeatedly said, this was a unique situation. This was not due to economic issues. This was due to government action and shutting down the economy as the result of COVID-19. So as I have said before, the traditional economic models are not good at predicting things. I was somewhat surprised, and very pleasantly surprised, by the recent numbers. I thought that we were going to actually bottom in June and not May.

But let me just say, as it relates to the markets and the economy in these numbers, this is a direct result of the bipartisan work of the Senate and the House in responding in unprecedented fashion. So not only the \$3 trillion that we pumped into the economy but the money that you entrusted to us to work with the Federal Reserve has unlocked markets. And without spending a dime of taxpayer dollars, companies like Boeing, who we thought would have to come to the government for help, were able to raise \$25 billion in the markets. Thank you.

Senator RISCH. Well, thank you. I am just absolutely amazed that the tools that really have been developed over the years were used as well as they were used in this regard, and the fact of the matter is that, really, it was the first test of them. The fact that they worked so well is just stunning.

I have written to you about creating a little bit more simple process for PPP loan forgiveness. I hope you have gotten that communication. Seeing as how you have looked at everything else, I have no doubt you are going to look at that. We are getting some input from the sector that the process and the application is overly complicated. If you would have a look at that, I would sincerely appreciate it.

Secretary MNUCHIN. Let me just comment. As a result of the safe harbor that is in the new bill, we will be writing new guidance and new forms which will make it substantially easier—

Senator RISCH. Thank you.

Secretary MNUCHIN [continuing]. For people to check the safe harbor.

Senator RISCH. We appreciate that, and I have no doubt—I had no question that you would probably do that.

Let me just say, Administrator Carranza, my time is up, but you are getting the same kind of kudos out there from the small business community, as far as being able to make the programs work that you have had, so we appreciate that. And I want you to know that appreciation is there for you too.

The criticisms that have been made, you guys have stepped up, both of you, and America sincerely appreciates it. Accept America's thanks, both of you, for what you have done.

Ms. CARRANZA. Thank you, Senator Risch, and I am very pleased to announce that by next week all of the EIDL loans will be in the process, in the loan portal. So all of the 5 million applications that we have, that actually represent over 7 million employees, and obviously 5 million small businesses, will actually be in the loan portal. There are two sections to that portal. One is the application and the other one is the loan processing, which means within a week's time that those loans will be processed and we will be over with the EIDL.

Senator RISCH. Well, again—

Ms. CARRANZA. I feel really encouraged by that.

Senator RISCH. In closing, just let me say that, again, the media has really focused on some glitches, but the big story here—and it is a big story—is how successful all this has been. And you are to be commended for it. You will not get the credit that you deserve for it, at least now. Maybe you will in the history books. But again, thank you for what you have done.

Thank you, Mr. Chairman.

Chairman RUBIO. Thank you.

Senator Cantwell.

Senator CANTWELL. Thank you, Mr. Chairman. Well, let me add my thanks to you, Mr. Chairman, and Ranking Member Cardin, for your bipartisan effort, and to those who are also participating, Senators Shaheen and Collins, for all the work that has gone into the small business agenda. It is really historic to show this bipartisan level, and frankly, we need it. We are not through this and we need it to come through again.

Access to capital is a persistent issue for small business, and one of the great things, I was proud that our side focused on, was the CDFI issue. I can see, in my state, where the CDFIs are basically getting out and marketing themselves and getting access to capital to, frankly, small businesses who just got turned down by banks. So I know you cannot guarantee how banks operate, but obviously this has been a problem, and we need to figure out solutions. People with good banking relations got turned down, and people without good banking relations probably never had a chance. So the CDFI process has been working, and we should figure out how to continue it.

The issue that comes before us now today is that there are a lot of women- and minority-owned businesses, always also a pervasive problem with access to capital, and this Committee has done good work with that in the past, prioritizing smaller loan grants and a whole variety of things to get capital.

But I do think that we should be looking at what my colleagues, Senators Cardin and Shaheen, are recommending that we prioritize smaller-sized small businesses. I particularly think 10 and under, but make sure that we are getting access to capital. There are a lot of women and minorities that are small businesses under, you know, 10 employees, and again, how do they keep that business going if they do not have access to capital?

So I hope in this next round we will prioritize that, and I hope both of you will agree on that.

I can say, because I worked a lot on various aspects of other parts of the bill, in addition to the small business, that I saw Secretary Mnuchin many hours, day and night, working around the clock on these provisions, so I thank him for that.

I want to ask you—so do you both agree that we should prioritize—figure out some way to make sure we are sending a message that we want small businesses prioritized, under 10 people?

Ms. CARRANZA. Yes, absolutely. There is a focus at SBA—and I apologize for jumping in—there is a focus at SBA with sole proprietors and independent contractors, because they are really not ones

that are going to aggressively pursue loans. And so we have a task force at SBA dedicated to those particular communities, as well as dedicated resources to look at how we can optimize the CDFI community. We have done really well up to 400, 430-plus, but we can do more.

Senator CANTWELL. Thank you. I have two questions for you, Mr. Secretary of the Treasury, Secretary Mnuchin, and that is, when we were doing the aviation part of the bill we definitely thought that the aviation supply chain was critical to America's security. We thought of that as the aviation commercial supply chain, not just the defense supply chain.

So we have had a couple of hearings in Commerce, and we want the dollars to go out the door to someone who is in the supply chain, who is making commercial manufacturing parts for the supply chain. We think that those dollars should be eligible to them. Do you agree?

Secretary MNUCHIN. I am more than happy to follow up with you and talk to you about that. Many of the aviation supply chain is getting advances we have been monitoring, but to the extent there are specifics, I am happy to address them with you.

Senator CANTWELL. Well, the \$17 billion that was there, we believe the definition of important to national security is commercial. You did not have to be engaged in a defense contract, that keeping the commercial supply chain is critical to our national security, because if we do not have an aviation sector it is going to impact us. So definitely want those dollars out the door, and there seems to be a problem.

Another area that there are problems with is \$8 billion for our Tribal governments, and as somebody who represents 29 different entities in the Northwest, definitely want to see those dollars out the door. Can you tell me when the \$8 billion for Tribal governments will be distributed?

Secretary MNUCHIN. Yeah. I will tell you, the second tranche of that money is going to go out tomorrow, and that the only thing that is going to be held back at that point is the litigation issue associated with Alaska.

Senator CANTWELL. Okay, on the Tribal issue, you are saying.

Secretary MNUCHIN. Yes.

Senator CANTWELL. Okay. Thank you.

Secretary MNUCHIN. Yeah, but the money—the first tranche went out.

The second tranche is literally going out tomorrow.

Senator CANTWELL. Thank you.

Secretary MNUCHIN. Or actually maybe Friday. I apologize. It is either tomorrow or Friday. But it is going out this week.

Senator CANTWELL. Okay. Well, then I am going to follow it up with aerospace, and again, everybody, let's keep working in a bipartisan basis but let's not forget those that are getting left behind. It is complex. It has always been a problem. Getting access to capital, for those who are small, is always hard. Thank you.

Chairman RUBIO. Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman, and thank you to the panel for being with us this morning. I certainly appreciate both of you all's commitment to making sure that we have the resources

available to really help small businesses survive the economic crisis that they have never seen in their lifetimes. Every single small business owner that I spoke to around the country had the exact same words, that without the Paycheck Protection Program they would not have survived.

So survival was the key and the focus, but now the focus turns from survival to recovery. And so as we think about recovery, my question is, as June 30th comes sooner than some would like, many are asking about a second bite of that apple. Is there an opportunity, as you all think through where we should go, is there an appetite for folks to perhaps see another four weeks of the PPP in addition to what they already have, and/or are there any other ideas that are on the table that speak to the recovery aspect of where we are and not simply the survival mode that we have been in?

To either panelist.

Secretary MNUCHIN. Senator Scott, thank you, and I appreciate all of your help. I definitely think we are going to need another bipartisan legislation to put more money into the economy. I think as we have said, we do not want to rush into that, because we want to be both careful, at this point, in seeing how the money is in the economy. A lot of the money is still not in it. And two, I think we need to be much more targeted at this point.

So I think at the point when we were in an emergency we had to put a lot of money in the economy, and we know that it would not be perfection. But I think whatever we do going forward needs to be much more targeted, particularly to the industries and small businesses that are having the most difficulty in reopening as a result of COVID-19. And we look forward to working with you and the rest of the Committee over the next few weeks as we think about that.

Senator SCOTT. Thank you. Administrator, as we rolled out the program, one of the—perhaps one of the more exciting aspects of the roll-out included taking the 7(a) program from a few, 800 lenders to I think over 5,000 ultimately were engaged in the process, which was phenomenal from our perspective.

The fintech world also provided a lot of traction to smaller businesses that may not have had that relationship. I certainly think that we are emerging into a new part of the process where fintech and unorthodox folks should be a part of that process going forward. What was your experience, and how should we anticipate the use of fintech as a part of the next wave of opportunities?

Ms. CARRANZA. Thank you for your question, Senator, because this allows me an opportunity to share with the Committee that we had dedicated resources to work with the fintech companies that approached us and indicated that they could provide microloans to thousands of people in the underserved markets. And so that seemed like a real appeal for us and a way to really penetrate the underserved community.

So I will not mention their names but we had four fintech companies. We had two dedicated resources, one from Treasury, and the other from CFPB, to be focused in on working with Treasury to get them licensed or authorized to be a preferred lender for us. So it really worked well. And they are still in play.

Senator SCOTT. Excellent. My final question to either, as Senator Cantwell discussed, CDFIs, that was not one side of the aisle or the other side of the aisle. That was frankly just common sense from both sides of the aisle. But perhaps America needs to see a little bit more common sense from both sides of the aisle.

Secretary, you and I had many conversations, that I recall, on MDFIs as well as CDFIs and MSIs. And I hope that as we look into the future with the new fintech platform, looking for ways to serve minority communities that have had a challenging time of having access to capital, that that will be a part of our forward looking. And the ability to help fund some of the MSIs to market, as we did through the Minority Business Development Agency, to provide resources for the marketing of these resources in minority communities also proved to be helpful as well. So more of a comment than a question.

Secretary MNUCHIN. If I could just comment on, you know, the technology and working with the CDFIs is very important. I want to give a shout-out to Robert Smith, who spent a lot of time with us, and has dedicated technology without making any fees to those CDFIs, so that they can outreach more people. But he and his company have been very accessible, and I think we have done a good job, but we need to do a much better job going forward.

Senator SCOTT. Yes, sir. Thank you. Any final thoughts, Administrator?

Ms. CARRANZA. I was just going to comment on Robert Smith, but you beat me to it. We were collectively working with that entity.

Senator SCOTT. Robert has a very busy phone because he keeps calling because he has good ideas, and they actually work. So thank you all for being receptive to the private sector being engaged in this process. I think it was one of the bright spots of the relief package, without question. Thank you.

Thank you, Mr. Chairman.

Chairman RUBIO. Thank you.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman and Ranking Member Cardin, and thank you both for being here this morning. I certainly applaud, as all of us do, the important difference that the small business programs made, the PPP programs and the EIDL programs have made for businesses in New Hampshire. We have had 22,000 businesses that have received over \$2.5 billion.

Senator Cardin, though, very eloquently expressed my frustration at not being able to get information, as we were looking at changes that we need to make to the program, so that we could ensure that what was working continued and what was not working could be changed. And so it is like closing the barn door after the horse has gotten loose, but I think all of us would like to feel like we are getting regular information, so that as we are trying to perform not just our oversight mission but to look at what we need to do to make changes, that we have that data in front of us. And so I hope that that will be more forthcoming in the future than it has been in the past.

I want to follow up on Senator Scott's question about a second round of help, because we are hearing—our office is hearing from

a lot of small businesses in New Hampshire who got the original PPP loans, who are about to run out of money this week or next week. They did everything that was prescribed in the program. You know, they hired back their people, they, you know, have been waiting to start up their businesses, many in the hospitality and tourism industry, which are the last to open up, and in New Hampshire that is a significant part of our economy.

And now they are about to run out of money, about to be in the position of having to lay off those employees again, and are worried about whether they are going to go under in the next couple of weeks.

So I have been—Senator Cardin talked about the legislation that he and Chris Coons and I have been working on to try and look at a second round. When we have got \$140 billion still remaining in the PPP program, I would hope that we could all agree that this is an opportunity that we should take advantage of for those businesses that need continued help.

I know the jobs numbers were better than expected last week, but 13 percent unemployment is still not acceptable, and we do not want another whole round of layoffs because we have small businesses who got help and now cannot get additional help when they need it.

So I hope you will both be open to that. I do not know if you have a view. You talked, Secretary Mnuchin, about needing some more time to look at that, but for some of these small businesses they do not have extra time.

Secretary MNUCHIN. Again, let me just emphasize, we are 100 percent committed to making sure that people that have lost their jobs get back to work, and people that have their jobs can keep their jobs. That is an absolute priority of ours. As you have said, the unemployment rate is still way too high, no fault of their own, and there is no question that small businesses in many industries are going to need more help.

So we looking forward to working with the Committee and the rest of the Senate, on a bipartisan basis, to include incentives, and whether it is through the PPP or others or tax credits, we are open minded. But we absolutely believe small business, and, by the way, many big businesses—

Senator SHAHEEN. Sure. Absolutely.

Secretary MNUCHIN [continuing]. In certain industries are absolutely going to need more help.

Senator SHAHEEN. Thank you. Administrator Carranza, you talked about the effort to move the EIDL loans through the program, and I think that is probably the program that we have heard the most frustration from businesses in New Hampshire about. And we are still hearing from them on a daily basis, that they cannot get information about the status of the EIDL loans.

So you talked about expecting all of the ones that are in the queue to be approved by next week, or to be acted on by next week. What can we tell those businesses that are calling our office about how to get information, because they are not able to get through on the toll-free line and the SBA to get answers to their questions.

Ms. CARRANZA. Senator, I will emphasize the amount of resources that we have added at the phone center. There are 3,000

versus the few hundred that we had a couple of months ago, and then we have added approximately another 1,000 when we talk about the paralegals and whatnot, to reconcile some of the loans.

With regards to—and I will—I am going to get in the weeds a little bit to explain—

Senator SHAHEEN. Good.

Ms. CARRANZA [continuing]. Why the visibility of a loan is not realized with this new automated system. What we understand, on the traditional legacy system, it had a lot of visibility. That is the system that would manage all of the natural disaster loans. When we had to ramp up and do a surge processing, input and throughput, what was not built was what we call a loan tracking visibility, and that is why it has limited visibility. We have visibility on the intake, and then when they get notified by email that their loan is progressing, and now it is a matter of they make a decision whether they want to pursue the loan and whatnot.

So there is this gap that there is no visibility. We did not have—because of time, because of the urgency to just get that machinery up and running, we did not allow the engineer to build that piece. And so now it requires particular loan officers to view that. We are in the process of fixing that, because we are now being prepared to accept more applications, besides the ag, and we have a few hundred thousand waiting in the queue, and we would like to take them on. We have learned a lot—the amount of communication that is necessary, the amount of personal face-to-face contact, not just emails. Because we have made available up to nine contacts within the time frame that we are speaking to, about a loan status.

We have about 65,000 that want to re-enter and be reconsidered for more funds, and we are working through that as well. So there are about two or three portfolios we are working through to make sure that we provide a lifeline. It may not be the \$2 million, but what we can provide is a lifeline to many more at that particular cap. And so we are looking to active that.

When I made reference to applications being all in the queue by next week, all of the 5.4 million applications that we have had since March to this date are now going to be in that loan portal, which they are making an assessment on. And the reason we are able to do that is that we went from a production where a loan officer processed about 3 to 5 loans a day, to now 50 loans a day. And so because of that surge we are realizing more efficiency, and I look forward to resolving those issues very quickly.

And I do look forward to communicating with you now more often. We did have conference calls with the Committee and members, such as the Chairman and the Ranking Member, Senator Cardin. It was not frequent enough. But I have pulled away from the operations and now I will be able to personally meet with everyone and update you much more frequently.

Senator SHAHEEN. Well, thank you. I think that is very important, and I am out of time. But the more transparent we can be, the more people understand what is going on with the program, the less frustration and the more understanding we will have.

So thank you both, and I hope we can continue to have a bipartisan approach to helping the small businesses in this country. Thank you.

Chairman RUBIO. Senator Kennedy.

Senator Kennedy.

Senator KENNEDY. Yes, sir.

Chairman RUBIO. Unless you have nothing to say, which I doubt.

Senator KENNEDY. Thank you, Mr. Chairman. Thank you, Mr. Secretary and Madam Administrator. I have had some oral surgery, as you can probably tell, so my speech is—my accent is the same but my speech is a little impaired. That is a blessing or a curse.

Mr. Secretary, do you have economists on your staff that can put a value on the amount of damage that was done to businesses from the looting and the burning from the rioting, not the economic impact of the peaceful protests, protests in America, or as American as baseball, but felony looting is not. Do you have economists that can put a value on the economic impact of those small and larger businesses?

Secretary MNUCHIN. I do have economists. I will ask them whether they have data that they can look at and do that, and get back to you. I do not know the answer.

Senator KENNEDY. Okay. We have about, what, \$130 billion we have not disbursed for the PPP program. Is that correct?

Secretary MNUCHIN. That is.

Senator KENNEDY. So it would appear we are going to have some money left over. Is that correct?

Secretary MNUCHIN. It is.

Senator KENNEDY. I am going to introduce a bill that I would like you and your very able—and I mean that sincerely—colleagues at Treasury to look at, to take some of that money and make it available to the businesses, mostly small businesses, but to the businesses that have been lost as a result of the burning and the looting and the felony rioting. I think they are going to need help.

Secretary MNUCHIN. We are more than happy to look at that with you.

Let me just comment on the—

Senator KENNEDY. Pull that mic closer for me, if you would, Mr. Secretary.

Secretary MNUCHIN. I said we are more than happy to follow up with you on that. And let me just comment on the extra money. As you recall, Congress gave us an extra \$60 billion, more than we needed, because everybody was so skeptical that we were going to run out. So some component of this extra money we did not anticipate we would be able to put to work, but we look forward to working with you on potentially repurposing it.

Senator KENNEDY. Well, I am going to introduce that bill—we are drafting it now—and if we do have an additional coronavirus bill I would like to consider—I would like you to consider making that a part of it.

Secretary MNUCHIN. We will absolutely work with you, Mr. Senator.

Senator KENNEDY. And I would like, if you could put some of your best minds, you and the Administrator, to quantifying the damage done from the rioting.

Secretary MNUCHIN. I will—

Senator KENNEDY. I would envision that we have arrested a lot of people, our law enforcement authorities, who caused this, who did the burning and looting, and I would, we are probably going to put a provision in our bill where the authorities have to go after them for civil liability, basically take their assets and offset the money that taxpayers would have to spend. But I would like you to take a look at that.

Secretary MNUCHIN. We will. Thank you.

Senator KENNEDY. And talk to the President about it.

Number two, I want to cut to the chase here. If you were king for a day, what would you put in the next coronavirus bill, other than the idea I just articulated to you?

Secretary MNUCHIN. If I were king for a day I would say we should spend the next 30 days looking at a lot of different things that will be in that bill.

Senator KENNEDY. Yes sir, but—I know you have been thinking about it, and I would like to get your general thoughts now of what we should be thinking about.

Secretary MNUCHIN. I think that, one, we are going to need money for business, to encourage businesses to rehire people, especially in areas that have been most impacted. So whether it is the travel, leisure, restaurants. You cannot get hotel capacity back up to speed without hiring people first. I will just use that as an example.

Senator KENNEDY. What else?

Secretary MNUCHIN. I think we are going to need to fix unemployment. So we knew there were issues with the enhanced unemployment, where, in certain cases, we were paying people more not to work than work. I think we have seen, from the recent numbers, that did not have a big impact because people want their jobs. But we will have a significant amount of unemployment and we are going to need to look at doing something that. I think we are going to seriously look at whether we want to do more direct money to stimulate the economy.

But I think this is all going to be about getting people back to work, and we look forward to working with the entire Senate on this.

Senator KENNEDY. What about—and I am going to try to be quick here—what about incenting investors to invest in the economy, capital gains treatment that would be relaxed, that sort of thing?

Secretary MNUCHIN. It is something we have discussed. My opinion right now is that the Fed facilities have unlocked the capital markets. There is a lot of liquidity for investment. That is something we will look at. But I think we are much more targeted at getting people back to work, and I think investors are prepared to invest a lot of liquidity that they have right now.

Senator KENNEDY. Well, the Federal Reserve has done a great job, and yes, they have unlocked the credit markets, but at great expense. We can talk another day about the size of the balance sheet now at the Federal Reserve. But, look, I think Jay Powell is a rock star. I think he did great.

Final thought. A lot of the banks and the small businesswomen and businessmen think that the Federal Government is going to

double-cross them on the forgiveness of these loans. You need to be mindful of that. You and the Administrator need to take some of those smart minds in your office, and you have plenty of them, and try to reduce that 11-page form to about half. And you both need, in my opinion—I am not trying to tell you how to do your job, but articulate to the businesspeople out there that the Federal Government is not looking for ways to catch the banks or the businesses who took this money in a minor mistake so the loans can be turned into loans.

Secretary MNUCHIN. I assure you that is the case. And let me just emphasize, in the recent bill there is an extension from 2 years to 5 to 10 years, but I do not expect businesses are going to need to use that, because I think the majority of this money is going to be forgiven in the next few months, and that is our intent. And I would just highlight—

Senator KENNEDY. And know that, Mr. Secretary, but they do not trust us.

Secretary MNUCHIN. I understand—

Senator KENNEDY. And for good reason.

Secretary MNUCHIN [continuing]. And that is why we are going to get the job done quickly. And there is also—let me just give a little pitch—there is a third-party calculator that you can put in all the information and you can get the forgiveness forms done in 15 minutes. And as I said, with the next legislation, with the safe harbor, it is going to be even easier.

So trust me. I have had people ask us about the form EZ, Senator Collins and others. You know, I would like to make this as easy as possible. We do have a law that we are required to work within. But I want to assure people that have taken this money, our intent is to get this stuff processed quickly.

And I should have also mentioned, you know, we have been speaking with you and others, obviously, on the state issue, and I know you have potential legislation, so I should have also put that on the list, obviously, that we will address on a bipartisan basis.

Senator KENNEDY. Think about helping the businesspeople who were hurt from the looting and the burning.

Secretary MNUCHIN. Thank you.

Senator KENNEDY. Thank you, Mr. Chairman.

Chairman RUBIO. Senator Coons.

Senator COONS. Thank you, Mr. Chairman, Ranking Member Cardin, and thank you, Secretary Mnuchin and Administrator Carranza. As many of my colleagues have remarked, this is a rare bright spot of bipartisanship and of partnership that has delivered a lot of relief to millions of businesses and lots of households and families. There are some aspects of our work together that have not been realized as quickly as many of us had hoped. The EIDL loans have ended up being a challenge to deliver. There are others where there is more work to be done together to make the forgiveness process swift and clear and appropriate.

I want to focus for a few minutes on a piece of the CARES Act, the Small Business Debt Relief Act that maybe has not gotten the visibility it needs and where we could, I think, make some more progress.

Before COVID-19, African American business owners were typically denied bank loans at triple the rate of non-minority business owners, and some of the pressures of this recession are compounding preexisting inequalities, and that is exactly one of the core reasons I worked, and many colleagues worked to get the Debt Relief Act into CARES Title I. It gives six months of principal, interest, and free relief for 7(a), 504, and microlending programs, programs that, by definition, existed in order to help those who were denied loans elsewhere.

Just a quick example. Orange Theory Fitness in Pike Creek, Delaware, right near where I grew up, is a black-owned business that is now saving \$9,000 a month because of this automatic debt relief program. I spoke to its owner, Yvonne Gordon, last week, who has been working tirelessly to reopen her small business and to go back to serving customers.

But I am concerned that there are not enough small businesses that are required, not just eligible but required by law to receive this benefit. There are some remaining who have not.

So Administration Carranza, if you would, has the SBA identified all the businesses eligible to receive this automatic relief and who their lenders are, and what are you doing to make sure that every single covered borrower is fully participating in this automatic relief program of six months?

Ms. CARRANZA. We have seen an uptick. It started off with about one and a half billion and now it is up to two billion that have recognized the principal and the interest and coverage. And the email was sent out. We spoke to the banks, but we have to do a better job of that, another level of outreach. We saw the increase, and we need to do a better job of not only tracking the businesses but also making sure we work with the lenders. It is supposed to be an automatic transaction and it has occurred for many, but I believe knowledge is power and we will have to do a better job in that area, sir.

Senator COONS. Thank you, Administrator. I do think we are still falling short in reaching every business. The businesses I have heard from in Delaware that have benefited from this, it has made a critical and timely difference.

There is also a question that Senator Duckworth wanted me to ask. She is at an Armed Service Committee hearing. We have both worked on—it is a small technical issue. It was a drafting error, I am convinced, in the CARES Act—but the cap for 7(a) and PPP are tired. We passed, on a bipartisan basis here in the Senate, a technical fix. It has been held up in the House. Just if you would speak briefly to how important is it to avoid a shutdown of the 7(a) loan program because of this drafting error?

Ms. CARRANZA. We do not see an exposure on the 7(a) shutting down. We actually have available funds for that particular program. So I need to get back to you on that. I have not heard of any such position at this point. We are actually doing really well on our 504 and our Community Advantage. We are looking to develop another loan option for our underserved communities. So I look forward to getting back to you on that.

Senator COONS. I am happy to talk to you about it.

Ms. CARRANZA. Please.

Senator COONS. I know it is a minor issue but it has been flagged by staff on both sides of the aisle, and I think we can work through it.

Three more quick questions, if I can. The CARES Act gave \$200 million to the GAO for oversight. The Ranking Member, Senator Cardin, referenced this. The SBA makes data on individual loans available on its web site for the 7(a) loan program, and the administration says it plans to do so for PPP loans at a future date.

Why have you not made individual loan PPP data available, and can you assure that the GAO is going to get the access to the data they need to do their job of oversight within the Executive branch?

Secretary MNUCHIN. I can comment on that.

Senator COONS. Thank you, Mr. Secretary.

Secretary MNUCHIN. First of all, let me just say we absolutely believe in transparency and we were very clear across the programs on agreeing to significant transparency, especially in the Fed facilities, which were not required.

As it relates to the names and amounts of specific PPP loans, we believe that that is proprietary information, and in many cases for sole proprietors and small businesses is confidential information. So the reason why we are not disclosing the names and individual amounts, unlike in the 7(a) program, is because of that issue, but we are working with the GAO from an oversight to make sure that they are comfortable and they do have access to information.

Senator COONS. Thank you, Secretary. I do think it is critical that GAO have access to all the data they need to do their job. And a quick question for you, Mr. Secretary, to follow up on something Senator Kennedy referenced. As retail and hospitality are reopening, there are supply chains which often rely on credit, or finding, you know, three months later there is a lot of concern about the cost. There is much more liquidity. But credit insurance and factors are becoming key blockages.

I have heard from a number of restaurateurs and folks in retail that rely on credit to finance restarting, that they are really having difficulty. I hope you are looking at credit insurance and sort of the backstop end of the credit side of those supply chains.

Secretary MNUCHIN. Yes, and I am happy to follow up with you and your office on that.

Senator COONS. Thank you. Your engagement has been terrific. If I could ask just one last question.

Secretary MNUCHIN. Have you looked at the clock?

Senator COONS. I am. I am a minute and 45 over, and in 15 seconds I will simply say I hope for a positive response on a bill referenced by Senators Cardin and Shaheen that we are introducing for a Prioritized Paycheck Protection Program. For a genuinely small business that has suffered significant revenue loss, it would give them a chance for another PPP loan if they have responsibly completely one, given that we have \$140 billion in unused funds.

Thank you for your forbearance.

Chairman RUBIO. Senator Romney.

Senator ROMNEY. Thank you, Mr. Chairman. I want to subscribe to the comments that Jim Risch indicated about support across our country for the help that your respective agencies has provided for our economy and for the people who work in our economy. I also

recognize there have been more than a few glitches and concerns and errors that have occurred. I am thinking about the banana stand on Arrested Development. If they went from 2 customers to 2,000 customers, it would make it kind of difficult for the guy dipping the bananas in the chocolate sauce, and the peanuts, and so forth. And you have had to staff up very quickly, and I think what you have done has been to rescue many, many jobs for our country, and I appreciate that very much.

What I hear as I talk to people in our small business community is how much they appreciate these loans, but also they are beginning to be concerned about whether or not they are going to be qualified for forgiveness. And they note that in some cases they tried to rehire employees. They found it hard to do so. In some cases, people are making more by not working than they were by working, so they are not able to get them back, or others have moved elsewhere to get employment or opportunity elsewhere with family.

I hope, and underscoring what Senator Kennedy said, that as you look at ways to determine if people qualify for forgiveness, that we are not sticklers, that we instead are looking to help people get forgiveness as opposed to exacting penalties on that.

That being said, in terms of loan forgiveness, I am concerned about circumstances where businesses applied for a loan, received money, but actually saw no reduction in revenues at all, and remain fully profitable. And I hear about those circumstances. I see them written about in various journals. And I believe that given the fact that in the loan application you noted, quote, "that this loan is necessary to support ongoing operations," that if a business did not see a reduction in revenue that it should not qualify for forgiveness, that it should be maintained as a loan.

Is that something which you think guidance can be provided on, or do you subscribe to that thought?

Secretary MNUCHIN. So, Senator Romney, thank you, and, you know, I personally had the opportunity to talk to you about these issues and many others. I know that the revenue test was something that the Committee actually considered when this was written at the time, and I think the general idea we had was so many people were going to be impacted by this, not to include the revenue test.

Now as I have said publicly, when we put in that certification we thought that people would self-select appropriately, and unfortunately there were a number of companies that were high profile that took the loans, and I publicly came out against that. We did get about \$12 billion returned. I think to a large extent it was from large public companies and some large sporting teams that I am a big fan of.

You know, and I had many discussions with many people on this Committee on a bipartisan basis about this test on the certification. We made a judgement that the majority of the small businesses, 98 percent by number, were under \$2 million, and most likely legitimately took it, so we issued a safe harbor. And on 2 percent of the loans, that are the larger loans, we will do a review. Some of that will be an automated review. And we hope to have the proper balance on that.

Away from that there will be a more general audit, just to make sure that people—there is not fraud in other things. But I look forward to speaking to you and others on this issue.

Senator ROMNEY. Thank you. Mr. Secretary, you noted in your opening comments that we expect a strong, phased recovery in the third and fourth quarter, that there has been substantial cash resources of our consumers, and that we expect a dramatic improvement in Quarter 3 and Quarter 4.

So I am puzzled by the statement that you make that we are going to need a stimulus to get the economy going again. I understand very much that there are going to be certain sectors of the economy—hospitality and so forth—that will need ongoing help, but there may be small businesses that will need help and, therefore, we may want to extend the PPP program beyond the end of the month.

But do you believe that we are going to need a stimulus, or is the economy poised to come back—again, with those outliers, is the economy poised to come back without further stimulus?

Secretary MNUCHIN. Well, I said it is one of the things we want to consider, and the reason not to jump into CARES 4 is hopefully we will not need a CARES 5 and a CARES 6. I do think the economy is going to rebound significantly, but I would also say there is still significant damage in parts of the economy. And we are going to consider using all of our fiscal tools, working with Congress, to make sure that we restore this economy back to where it was and where it should be, and to make sure that the many Americans that still do not have job get back their jobs.

So we look forward to your business experience and working with you and others to make sure we do this appropriately.

Senator ROMNEY. Thank you, Mr. Chairman.

Chairman RUBIO. Thank you. And before I turn it over to Senator Booker, I just want to comment on the revenue thing. We talked about it quite a bit, and Senator Cardin, Collins, and Shaheen will recall. We had two concerns about it. The first, on the front end, is that it would create all this paperwork. The small business would have to accumulate all of this paperwork to show what the revenue was so they could compare it. So I was concerned it would slow down that process. Because I know at first blush, especially, we were all very—I am very sympathetic to this argument that if you are making a bunch of money, why do you need this loan?

The other thing we were concerned about is what is a business do, and sometimes they get creative and they reinvent themselves in a crisis. For example, maybe you made clothes but now you are making masks and PPP, not just to keep people employed but reinvent themselves and provide a need. And we did not want to discourage or punish people from doing it. It is a complicated issue. I think it is one we should continue to talk about. We certainly do not want people taking advantage of it.

But those are some of the things we were worried about when we were talking about all this at the front end. Senator Booker.

Senator BOOKER. Thank you very much. I just, first of all, want to just echo a lot of the comments that have been made by people on both sides of the aisle about the work that not just the two of

you have done in this really difficult time in American history but, frankly, your teams, the civil servants that work under you. Your agencies have been able to do things that we could not even imagine just at the end of last year. So I just want to give my gratitude for the difference it has made in my state. It has just been extraordinary, and there are a lot of folks that are happy.

And I just want to echo, also, the pride I have in working in such a bipartisan way. We have seen people on both sides of the aisle on this Committee come together and just do really good work, I think. In Senator Rubio's opening comments he talked about the fact that so many of us rose to the occasion, put aside politics, and really focused on people and businesses. So I am really thankful for that.

I come at this next issue in a very personal way but also a very bipartisan way. A lot of it is my own faith in Matthew 25, just being concerned with people who are often marginalized. Eighty-seven of us Senators voted to think that a lot of the sentences we give to people are just too dag-nab long.

And we are, in a bipartisan way, doing a lot on criminal justice reform. I worked with the administration, talked to Jared. My Fair Chance bill passed, about people coming out of prison and eliminating that box that they often have to check. And so I am still perplexed, though I am grateful that you, Secretary Mnuchin, offered to revisit this issue.

And I am grateful, again, in a bipartisan way, Senators Portman, Cardin, Lankford, and others put together legislation to eliminate the restrictions that are preventing people from getting access to these loans, incredible entrepreneurs in cities and communities all across America who are now denied the aid, or seeing their small businesses collapse, which are often critical pillars in many communities. This bipartisan issue, it has been endorsed and supported by everybody from the ACLU to the American Conservative Union, and FreedomWorks.

And so I just, again, Mr. Secretary, want to know, do you believe in an individual who has started a business, is contributing to the local economy, is creating jobs, who has prior unrelated convictions, should really be barred from participating in the PPP program?

Secretary MNUCHIN. Well, first let me say we want to work with you and others to fix this and fix this really quickly. As I said, the original 7(a) program had seven years. We reduced it to five years. We thought we would reduce it. We are happy—if there is bipartisan support we are happy to make the change this week and reduce it even more.

So again, I know there is—we obviously have some issue about people who were convicted for financial crimes and other things.

Senator BOOKER. You and I both know that is an easy thing to eliminate, the financial crimes.

Secretary MNUCHIN. Again, this is—we are happy to be responsive on this.

Senator BOOKER. I am grateful. I have limited time so I will just say that this is not a small issue. This is thousands of people, affecting tens of thousands of jobs. This just basic ideal of justice. It seems incredible.

And to that extent I would like to put something else on your radar screen, something called pretrial diversion. We know what pretrial diversion is, but for those who may not, these are specifically designed programs to allow individuals to plead guilty, and subject to completion of certain court-mandated programming their guilty plea is vacated, and they do not have that mark of a criminal record, which has 40,000 collateral consequences if you have a criminal conviction.

It is a good program. And it only happens when the judge, the prosecutor, and the defense attorney, all components of our criminal justice system, agree. They come together and agree that the individual should not have to suffer those collateral consequences associated with a criminal conviction.

So despite the consensus of the entire criminal justice community, we are doing the contrary. We are denying people that are in these pretrial diversion programs, who are entrepreneurs, contributing to our economy, employing other Americans, we are denying them what prosecutors, judges, and defense attorneys all agree should not be a bar, should not be a bar on collateral consequences.

The PPP program is being denied to those folks, and this should shock the conscious of us all.

Secretary MNUCHIN. Yeah. Let me just say, I am not aware of that but I will work with the Administrator, and if that is the case we will make that fix immediately.

Senator BOOKER. Oh, hallelujah. Thank God. Pass the collection plate. Thank you, sir. I really appreciate that. That commitment is noted, and I am really grateful.

I want to be respectful of the time. In 10 seconds, I just want to echo what a lot of my colleagues have already said about still not an equitable distribution of the funds. A lot of minorities are falling out of this program, and a lot of it is just because small businesses, the smallest sort of, as we call them, mom-and-pop shops, are not. Senator Daines and I have mentioned it to you before, have a bill to help those funds that are started up—New Jersey has one through our Economic Development Authority, they are all across our country—to seed them with resources to help, because they are better targeted toward those smaller mom-and-pop shops. It will address issues of equity and getting a lot of funds out the door.

I just, again, make that appeal to my colleagues on this, to look at our bipartisan effort to do this. And again, I respect and appreciate your willingness to help this. But thank you very much for the comments you just made about people in pretrial diversion. It makes me extraordinarily happy. So thank you.

Thank you, Mr. Chairman.

Chairman RUBIO. Thank you, and thank you for raising that issue.

And, in fairness, the Secretary has told us, in numerous conversations, that if we could come up with bipartisan language that we support, he would be more than happy to facilitate it on the criminal justice issue. I think we are fairly close on that, and I think time is of the essence, given the June 30th date that awaits on the cutoff of the program.

Secretary MNUCHIN. Yeah, and I will reiterate that, on behalf of the Administrator and I. If we get a letter from the Chair and the Ranking Member, we will institute the changes. We had said that on the call. So again, we will make your change immediately, but in regards to other changes on this issue, we are happy to implement them as soon as we get guidance from both of you.

Senator BOOKER. Thank you very much.

Chairman RUBIO. Thank you.

Senator Ernst.

Senator ERNST. Thank you, Mr. Chair, and I would like to associate myself as well with the concerns of Senator Booker. In Iowa, of course, we are very short in our labor pool, and we truly value those that have served their time, their commitment to the great State of Iowa and those that want to find a positive path forward through entrepreneurship, and starting small businesses. So certainly I think that a number of us would want to engage in those activities to make sure that we are extending opportunity for everyone that does deserve that opportunity.

But thank you, Chairman, and thank you, Secretary, very much, for being here. And we are seeing some strong numbers coming forward, and I am thrilled. And I think because of the work that has been done through the Small Business Administration, through the Treasury, through especially the Paycheck Protection Program, we have been able to save, preserve a number of small businesses and jobs across the United States, and that has been reflected in the numbers that we are seeing. In May, it was projected that we would lose 8 million jobs, and instead we were able to add back 2.5 million. And again, I credit so much the program that you have put into place, that we have enacted, in playing a key role for a really stunning turnaround in the economy, so thank you for that.

I do appreciate your hard work in implementing the program. There is still a lot of work to do, things that have been identified, just as Senator Booker did. But we are definitely heading in the right direction.

I do have a question, Administrator. Last month we found out that Planned Parenthood affiliates received \$80 million through PPP, despite the fact that SBA's affiliation rules disqualify them. What actions are being taken to ensure that Planned Parenthood returns those funds and is held accountable for the violation of SBA rules?

Ms. CARRANZA. Well, SBA takes the affiliation rules very—we look at it very closely and very fairly. And at this point I would just say that all affiliations are being looked at, and I am not in a position to speak about any one particular borrower at this point.

Senator ERNST. But they will be reviewed, not just Planned Parenthood but all of the other affiliations that have unfairly taken advantage of the SBA.

Ms. CARRANZA. Yes. The necessary course of action, yes.

Senator ERNST. Okay. Thank you.

Ms. CARRANZA. Thank you.

Senator ERNST. And then, as well, for the Secretary, forgiveness, of course, has become a large issue now that we are moving into a state of recovery. The PPP forgiveness application, it is very complicated, and I hear that from Iowans time and time again, where

the application process was fairly simple for them, but the forgiveness portion of that application process is very confusing.

Our banks and our small businesses have told us that a team of lawyers and accountants would be necessary just to help those businesses fill out that forgiveness application, which puts our smallest businesses at a significant disadvantage.

Do you believe that Treasury and SBA have the authority to simplify the application for small borrowers, and if not, would you be willing to work with the Committee on this issue?

Secretary MNUCHIN. First of all, let me just tell you, I personally looked at and helped design the application form, and I personally reviewed the forgiveness form, and I do not want this to be any more complicated than all of you do. There are requirements in the bill that make it difficult on the forgiveness. I do think, in the new law, the safe harbor, for people who check the safe harbor, will make it significantly easier, and will not have to do most of the calculations.

And we are coming out with new forms for people who check that.

And again, I would also just advertise, there is a third-party calculator that if you put in all the information it fills it out in 15 minutes, but I can assure you we will work with you very closely. We want to make this easy for people to do, and now with the safe harbor most people will have the benefit of that.

Senator ERNST. Very good. I appreciate that. Thank you very much.

Chairman RUBIO. We just got a call from the lawyers and the accountants. They are upset at what you just said.

[Laughter.]

Senator ROSEN. Senator Rosen. The light is on, but I think it—

Secretary MNUCHIN. I figured out in the beginning it works without the light.

Senator ROSEN. All right. You can hear me now, anyway. I want to thank you, Chairman Rubio, for always taking my call. Ranking Member Cardin, Administrator Carranza, Secretary Mnuchin, you know, you have really provided leadership in helping our small businesses; especially for those of us in Nevada, you really helped us with that critical support that we needed during these challenges and unprecedented times. I want to really thank you in public for your willingness to provide our small Nevada gaming business up and down the state. People think of just the big hotels and the strip, but it is up and down our state everywhere, and everyone is very, very appreciative.

But I want to talk a little bit about EIDL reform, and over, of course, the past few months, the coronavirus pandemic has just devastated small business in Nevada: 99 percent of our business is small business. We also have, unfortunately, the highest unemployment rate, 28 percent, up over 24 percentage points from last year. And so it is clear that our unemployment rate, of course, is a reflection of the overall state that the pandemic has had on small business.

My office has directly helped more than 560 of these small businesses with their questions with the CARES Act. I am going to give a shout-out to our Small Business Administrator, Joe Amato. He

has done over his hundredth webinar. I have been able to participate on a lot of those. But the one common complaint that we have received repeatedly is about the SBA's \$1,000 per employee cap on EIDL advance grants and its \$150,000 cap on the EIDL loans. That is a 93-percent reduction from the \$2 million level that we authorized in the CARES Act.

Many Nevada businesses, of course, have contacted my office, telling me that the \$150,000 just is not enough, does not provide enough support, and they are going to probably have to permanently close their businesses.

So Ranking Member Cardin earlier spoke about this. These filing caps were not the intent of Congress when we passed the CARES Act. They were not part of any deal that small business owners thought when they applied for their EIDL support. Senator Cornyn and I and others, we have sent a letter recently on this same issue back in April. I have raised it up. I raised it a few weeks ago when we were on the phone.

So, Administrator Carranza, following up on the Ranking Member's question earlier, why has the SBA placed that \$150,000 borrowing limit on the EIDL loans? How did you come up with that number? And if the reason is funding, why didn't you come back to us for support?

Ms. CARRANZA. Senator Rosen, I appreciate your question because it has been raised, and I have been dealing with it personally because small businesses approach my office as well. I mean, I get personal emails and follow-up on their requests. So I am very close to the situation.

But I want to reassure every member on this Committee that it was not an arbitrary number. It was a matter of realizing that we had over 5 million applications in the queue, and thanks to this Committee and thank you, Senator Cardin, for providing the council the opportunity to speak with you and the Chairman about what was in the pipeline, the fact that we had already exhausted the \$7 billion that we had in the pipeline, and then also what we had available was to ensure that we gave not just something but based on 6 months of operating cost, that is basically how the formula is calculated. And the average loan at that given time was being realized at about \$83,000, so we thought if I can manage that—the decisions were made that if we could manage the 5 million applicants that were already in the queue, that had been waiting for the funds, that we could cover all with the \$50 billion subsidy.

Senator ROSEN. And the \$1,000 per employee, that has also been extremely difficult.

Ms. CARRANZA. Well, the grant was the same calculation in the sense that we looked at \$1,000 per employee. The first applicants, where there were about 700,000 that were sole proprietors, they had one to four employees, and, again, to allocate that many applicants a grant, we needed to scale to cover—

Senator ROSEN. So how will you be assessing this going forward so my businesses in Nevada, over nearly 300,000, which only about 83,000 have been able to take advantage of PPP or EIDL.

Ms. CARRANZA. Yes, Senator Rosen. We did not want to discourage anyone in that queue, in the EIDL queue, and we sent them

a couple of emails indicating and demonstrating the comparison of EIDL, what was available, and what they could achieve with the PPP program because there were still sufficient funds in the program up to this point. And that is the other option we tried to clarify, that there is another loan option that they can consider if they are in need of greater funds.

At this time, as I mentioned earlier, there are individuals that miscalculated their operating costs from 6 months to 3 months. We are revisiting those particular businesses—

Senator ROSEN. I had a chance to reply.

Ms. CARRANZA. Yes, yes. And so we have about 65,000 of those that we are reconciling, so that if they needed up to 150,000, we have it available to them. And as of next week, we will be taking in new applicants as well, the non-ags.

Senator ROSEN. Thank you.

Ms. CARRANZA. You are welcome.

Senator ROSEN. We are not a very large ag state. We have some but not as much as others, and so that has hurt us disproportionately.

Ms. CARRANZA. But I look forward to working with your office. If there is a particular sector that is really problematic, I look forward to working with you on that.

Senator ROSEN. Thank you. I appreciate it.

Ms. CARRANZA. You are welcome.

Chairman RUBIO. Thank you. All right. Just to update you, we have a nearly perfect attendance today. We have Senator Hawley, Senator Collins, and then if there are any wrap-up items, I will ask them, and then we will send you on your way.

Senator Hawley.

Senator HAWLEY. Thank you very much, Mr. Chairman. Thanks for holding this hearing.

I have been closely monitoring the implementation of the relief programs, the various relief programs Congress has established, and I have to say I am thrilled, given last week's job numbers, I think, that the PPP has played a vital role, has been a vital lifeline during the shutdowns. It has clearly helped to stop the economic hemorrhaging and put us in a place now for recovery. And so that is, I think, a great success story, and I want to thank the Chairman for his outstanding work on this.

I do have some questions about EIDL, following up on what Senator Rosen was just asking about. I want to come back to those. Let me start, Administrator Carranza, with you, just on the Planned Parenthood issue. Planned Parenthood has 16,000 employees. And this is not a gray issue; it is a black-and-white issue. They talk about it in all of their organizing documents. I am just wondering. When 37 Planned Parenthood offices, 37 separate offices, applied for PPP funds, why did the internal system at the SBA not flag the applications?

Ms. CARRANZA. Senator, our system accepts applications and assigns a loan number, and then loan arrangement is made between the borrower and the lender. So when you have about 5 million applications being injected into our system, we do not have a system that flags affiliations or any particular industry. It just assigns a loan number, and that is why it is very important for us that when

we looked at sectors—and some sectors had certain tendencies and certain loan values, we then—and the affiliations were one of them—we started to assess, you know, the value of how they exercised or interpreted the—

Senator HAWLEY. So what you are telling me is that the SBA did not have any safeguards in place on this particular question. You did not have any system in place to flag applications like—

Ms. CARRANZA. At that given time, that is correct.

Senator HAWLEY. Despite the fact, I might add, that the affiliation rule was pretty fiercely debated as part of the PPP package, as part of the CARES package, amended several times.

Tell me about the Planned Parenthood affiliates that wrongly received funds. How many of those has SBA contacted now.

Ms. CARRANZA. At this point I would not be able to speak about a particular loan situation, so—

Senator HAWLEY. Why?

Ms. CARRANZA. It is proprietary information, and it is—

Senator HAWLEY. I am not asking you about a loan situation. I am asking you how many you have contacted. The SBA has put out a statement saying that you have contacted the affiliates. You have sent letters. That has been publicly reported. How many?

Ms. CARRANZA. The office did receive your letters, and we acted accordingly. But at this point, given the detail on a particular borrower would just not be—

Senator HAWLEY. So you can confirm for the record that you have sent letters to Planned Parenthood affiliates, but you will not tell us how many? That is your testimony?

Ms. CARRANZA. No. I am saying that the affiliation or any borrower that we are taking a course of action is that indeed, and I do not talk about the particulars.

Senator HAWLEY. How many Planned Parenthood affiliates have returned the funds?

Ms. CARRANZA. Again, I have to take the position that I am not able to share that borrower information at this—

Senator HAWLEY. When are you going to be able to? And how are we going to conduct oversight if you will not give us the information?

Ms. CARRANZA. I look forward to speaking with you in your—

Senator HAWLEY. I am sorry?

Ms. CARRANZA. I look forward to meeting with you and discussing the situation, but at this point, I will not be able to speak to it publicly.

Senator HAWLEY. Well, what is different between discussing it with me in person and discussing it here when you are under oath?

Ms. CARRANZA. Just to clarify, again, the SBA position, I would not be able to divulge any of the details, just explain what our practice and our policy is.

Senator HAWLEY. Well, how are you going to provide this Committee with information about this breach of the rules that are in the statute so that we can conduct oversight? How are we going to conduct our oversight if we do not know any of the details? And since you will not do it now, when will you do it? What are the guidelines that you will follow in disclosing this information?

Ms. CARRANZA. Well, Senator, what I would like to do is to review with you the controls that we have put in place and the course of action that we take with all affiliations, not just—

Senator HAWLEY. Okay. We will follow up with you. For the record, I would like to state it is important that this Committee conduct its oversight of rules that are written in the statute, and I want answers about how Planned Parenthood, which it is forbidden by the statute that this Congress wrote and passed into law—it is not a rule; it is not a regulation. It is in the statute. I want to know how it happened that \$80 million was diverted to Planned Parenthood affiliates that is plainly not permissible under the statute. This Committee has an obligation to perform oversight, and I want answers on that. And I will not accept that you cannot tell us or that you do not know. So I want answers.

So we will follow up with you. We will follow up with the Department of Justice. But I am just saying for the record it will not be acceptable to me that you are not going to tell us, you are not going to get back to us, you are not going to be responsive.

Ms. CARRANZA. No, Senator—

Senator HAWLEY. And, frankly, the pattern of unresponsiveness from the SBA throughout this process has been disturbing, which I have said for the record and I will say it again today, I am disturbed by it.

Mr. Chairman, one other question, if I could, just on—

Ms. CARRANZA. Senator Hawley, if I—

Senator HAWLEY. I have got to move on. You have made your position clear—

Ms. CARRANZA. I want to let you know that I do know the status—

Senator HAWLEY [continuing]. And you are not being responsive.

Let me ask you another question while I have got you here. On the EIDL applications, you answered an earlier question that EIDL applications are now in the portal. I would like to know the timeline of when they will be processed. I have had applicants in my state that have waited 80 days—80 days—for any kind of a response on their EIDL applications. Senator Rosen was just talking about there are similar problems in her state. When will they be processed. We have repeatedly asked for answers. They cannot get answers. I cannot get answers. When will they be processed? And when will these good folks get some response to their application?

Ms. CARRANZA. Senator Hawley, I can extract all of the applications that pertain to your particular state, and I can review with you the status of them. At this current time, we have about 2.5 million applications that have been processed. There is a high number of declines. We are reinstating those particular declines once they fix their information. The other two and a half will be injected by next week, so all of the 5.4 million applications that we had in the queue since March will now be in what we call the “loan processing portal.”

I will have visibility when that loan is positioned there, and I can share with you exactly where your loan portfolio stands.

Senator HAWLEY. My time has expired. I will follow up with you. I just want to emphasize again that it is absolutely vital for people who have been waiting for 80 days plus that——

Ms. CARRANZA. I agree with you, Senator.

Senator HAWLEY [continuing]. Their application be processed. And they do not care what you label the queue, you are in this queue or that queue. They just want it processed. They need an answer. They are waiting on a vital lifeline. So we look forward to working with you on that.

Thank you, Mr. Chairman.

Ms. CARRANZA. Thank you, Senator.

Chairman RUBIO. Thank you.

Senator Collins.

Senator COLLINS. Thank you, Mr. Chairman.

Mr. Chairman, let me start by thanking you for the invitation to join your Committee today. I also want to say what a rewarding experience it was to work with you, with Senator Cardin, and Senator Shaheen in developing the PPP program, which has been of tremendous benefit to more than 4 million small businesses and their employees.

I want to turn to our witnesses, and, first, I want to emphasize a point that many other Senators have brought up today, and that is that many small businesses are reaching the end of their 8-week loan period. And yet they are still unable to fully reopen because of state restrictions. For example, in the State of Maine, there are three counties that still are under tough restrictions where they cannot have in-restaurant dining.

I want to read to you the words from a restaurant owner in Portland which really summarizes it well. It is a woman-owned restaurant, a great place to eat. She writes: “The PPP is the only thing that has kept us in business up to this point. Our staff has been so grateful. It has not only allowed us to pay them and open for business, but allowed us to pay our rent in full. There is no question without the PPP we would not be operating right now and would have furloughed all of our staff. With that being said, we did just run out last week. We now have curbside and only six outdoor tables, and we can only serve a maximum of 28 people a night.”

She writes that she lives in fear of a rainy night, in which case she cannot serve anybody in those outside tables. And she says, “Without the State easing the restrictions on indoor seating, I just do not see how we can continue much longer.”

This is an extremely viable business that was doing very well until the state restrictions and the coronavirus hit. So we now know that we have \$130 billion of funding for this program that remains available. So I want to press you a little bit more. I know you have said that you do think that there should be more support. But would you support allowing small borrowers in heavily affected sectors, such as the tourism industry, that cannot fully reopen because of state restrictions, to seek additional PPP funds, apply again or extend perhaps for another 4 weeks, so that they can just make it through this period where they are forced to be closed? Because they are viable businesses, and it is not their fault.

Mr. Secretary.

Secretary MNUCHIN. Well, first of all, I want to personally thank you for your involvement in this, and we have become texting buddies, so all of your help along the way. I am especially sympathetic to the restaurants. I would just say we had a large number of restaurant owners and industry people come in and meet with the President, and we heard the 24-week issue. And I am very pleased that Congress responded to that.

As I said before, I think that restaurants, and hotels in particular, do need more help. We have taken great pride in the bipartisan work, so if there is support for you in the Committee on a bipartisan basis, we are very seriously going to look at that issue.

And let me just give a pitch on indoor seating. I am happy that in D.C. they have now allowed restaurants open. I have tried to support restaurants. I do not see why on an indoor basis socially distanced that restaurants cannot be serving indoors, particularly in parts of the country where COVID is under control. So I agree with you this distinction between indoor and outdoor seems a bit random, and I do not know what people would do when it rains.

Senator COLLINS. Thank you.

I have one technical question, if the Chairman would indulge me. It is a very quick question for the Secretary, and that is, I am getting a lot of questions about the timing for seeking forgiveness, and there are some businesses that have gone through the 8 weeks. They are reopened, and they would like to close it out now. But they are wondering, with the extension to 24 weeks, if they have to wait until the 24 weeks. Can they close out at any time?

Secretary MNUCHIN. If you have used all your money, you can apply for forgiveness. The 24 weeks is only meant to be an option for you. If you have not used your money, specifically if you are not open or otherwise, you can extend it. But, no, we would encourage people that, as they have used all their money properly, please seek forgiveness so we can process these loans and get them off of the books.

Senator COLLINS. And that would be helpful for workload purposes for both of you as well. Thank you very much, and thank you both.

Thank you, Mr. Chairman. Thank you, Senator Cardin.

Chairman RUBIO. Thank you. Since I reserved my time, I am just going to touch on some quick points here. We will go to the Ranking Member who has some additional thoughts, and we have a vote that starts at 12:15 so we are almost done here, and very nearly perfect attendance today, which is—we have not had that before, so I appreciate you both coming in.

Just a quick question. After the changes that were made last week with the additional flexibility, down to 60 percent for payroll, 24 weeks to pay it back, have we seen businesses that said the old PPP did not work for me, but the new one does? Have we seen any sort of uptick or any indication that there are more businesses lining up now to use the program as a result of that change?

Secretary MNUCHIN. My expectation is that we will definitely see businesses that were on the sidelines and now take it, especially restaurants that had issues. But, yes, I would expect we will see that.

Chairman RUBIO. So we just do not know on the nightly numbers if that has been reflected yet?

Ms. CARRANZA. We do not have actual numbers at SBA, but there has been expressions of relief that there is more time, so it is worthwhile for—

Chairman RUBIO. I guess the curiosity is whether—I am confident that people have already gotten the loan or feel better about being able to use what they already have. I am curious whether there are people out there or businesses out there now who think this works for us and may access this. We will keep a close eye on that as we get down the stretch here with about 2½ weeks left before the June 30th cut-off.

The observation, I am glad you talked about targeted relief and what we do moving forward. One of the things that does concern me is a disparity in the recovery. I will just give you one example of what I just read awhile back, not long ago, earlier today, on what was what a recent study estimated. It is pretty shocking. It found that in majority African American neighborhoods, 95 percent of small businesses in those neighborhoods had a cash buffer of less than 2 weeks. In majority white neighborhoods, non-white, non-Hispanic neighborhoods, 30 percent had less than 2 weeks cash on hand. Clearly, the 30 percent in those neighborhoods need help. There is no disputing that. But 95 percent versus 30 percent is a big disparity.

And so one of the things that I think we need to think through as we structure this, is avoiding those—[audio system cuts out]—is that what it is? They cut out the microphones?

So this is something we want to keep an eye on.

I think we are up to 5,400 total lenders, something around that number, something over 5,000. And about 4,400 to 5,400 appear to be smaller community-based lenders, nonbank lenders. And I would just say as we move toward future efforts, whether it is a program like this or some things we do in the future, this is, I think, a really important infrastructure that has been created for delivering relief that I do not think we should abandon the mechanism, that we should look for opportunities to repurpose for just general operations but for any additional relief. To this is an impressive stable of participants that I think is going to matter a lot.

I have two questions for the Administrator. First, it was the clear intent of us who sat around and wrote this up that you use them both PPE and EIDL, that you use them both as long as they were not for the same purpose. We specifically discussed the case of someone who had already applied for EIDL before PPP was created, and we wanted to make sure that once PPP came online they had the opportunity to go back and either get PPP or swap it out or what have you. We still do not have any guidance, we are awaiting guidance on how these two programs are supposed to intersect. When are we going to have guidance, Administrator, on these two programs and how they would work together and particularly businesses in that predicament?

Ms. CARRANZA. Yes, our staff has been working all weekend to process that. I believe that has been released. Yes, that has been released.

Chairman RUBIO. Do we have that guidance? Okay. We say we have not seen that. You say we have

Ms. CARRANZA. No, Senator, I am corrected by my assistant administrator. We have worked on it. It has not been released but we are soon releasing it.

Chairman RUBIO. All right. That is important.

Ms. CARRANZA. Yes.

Chairman RUBIO. And my last question is GAO has reached out to numerous congressional offices, including my own, as recently as yesterday, and here is what they are saying. They are telling us that the SBA is preventing the GAO from accessing the information it needs to fulfill, something we required in the statute, and that is that they report to Congress. So the CARES Act requires the GAO to issue bimonthly reports to Congress on agency implementation of the act with the first report due on June 25th, which is coming up. This is what they are telling us. They are saying that of all the agencies, the SBA is the only one that has not cooperated and that lack of cooperation has impacted their efforts to gather information that they need to fulfill the mandated reporting requirement that we put in place in the law.

I imagine you have heard the same thing from them. What is happening there? Because we need to get that solved.

Ms. CARRANZA. Chairman, I spoke to Chairman Quigley yesterday from Appropriations, and I expressed to him that by next week we should be able to resolve some data that his staff has been asking for. So I told him that we would be very punctual with it and as thorough as we possibly can. So we had a meeting of the minds yesterday and clarified what the delay—the reasons for the delay. But that should not continue.

Chairman RUBIO. So your expectation is that at some point next week—

Ms. CARRANZA. Yes.

Chairman RUBIO [continuing]. This should no longer be an issue?

Ms. CARRANZA. We are preparing the data for the DATA Act, and so that is in about a week or two, max, yes. Chairman, I will keep you posted on when that is going—

Chairman RUBIO. Yeah, we just need to get that fixed. That is something that is in the law, and it reflects poorly on—

Ms. CARRANZA. Absolutely.

Chairman RUBIO. Okay.

Ranking Member.

Senator CARDIN. Well, let me thank both of our witnesses again. This was very, very helpful. A couple observations.

First, on the EIDL program, you are hearing from all the members of this Committee that it is not working at the level that we anticipated it. I think we can understand that initially there were certain administrative decisions that had to be made because of the volume. But two things have happened that are really not acceptable, and that is, people, business, have been left in the dark as to the status of their EIDL loans and have been delayed beyond it being useful for them to plan their businesses during this period of time. That needs to be corrected.

And, secondly, the cap that was put on, the \$150,000, really makes no sense today. I will be very surprised if the final numbers

of loans given out under EIDL come anywhere close to the capacity that you have as authorized by Congress. So I would just urge you to look at correcting the program as quickly as possible from the timely status of applications and the dollar volume.

The second thing, there seems to be a growing consensus of a need for a second round for small business, and, Mr. Secretary, in response to one of our members, I could not agree with you more. We had to get money out quickly on the first round. The second round we can be more discerning. So I hope that we can start that conversation now about how we could configure a second round for small business. I understand you might have beyond small businesses, but it would be helpful, I think, to try to get those discussions started now because, as the Senate normally operates, as Congress normally operates, we usually get panicked around a deadline. So it would be nice if we could flesh this out a little bit earlier.

We took a little bit earlier lead on small business than the other parts of the CARES Act, and it allowed us to have, I think, a more thoughtful draft legislation than some of the other sections.

The third point is that it seems to me, in regards to those that have criminal records, there is a consensus, and I would hope that this week we could get all of us together and try to resolve that issue in a broader manner, as we have talked about at this hearing.

The last point I want to mention is Senator Hawley's comments in regards to the affiliate rules. I could not disagree with him more as it relates to the conclusory statements he made in regards to Planned Parenthood, and I appreciate the Administrator not talking about a specific case, which I think is appropriate. So I agree with you on that.

But let me just point one of the reasons we would like to get more granular data so that we can understand the scope of the issues. We wrestled with how to deal with affiliates for the new categories of businesses that qualify for the PPP program that did not qualify for the traditional 7(a) program, including the nonprofit and veterans organizations. And we specifically put the provision in the CARES Act that said the provisions applicable to affiliations under Section 121.103 of Title 13, Code of Federal Regulation, to a nonprofit organization or veterans organization in the same manner as with respect to a small business concern. So we expected you to use the same affiliate rules that you use currently to qualify for 7(a) loans for the for-profit community for the new eligible PPP 7(a) borrowers.

So it would be helpful for us—and then we were concerned when publicity arose under the Planned Parenthood that we do not start imposing an ideological test on affiliation, and the Democratic members of the Senate wrote a letter in May to you saying it is critical that the SBA implement the PPP as Congress directed without ideological efforts to treat certain nonprofit organizations from others.

So I just really want to put that in the record in regard to Senator Hawley's comments, but it does underscore how important it would be for us to get the granular information as to the number of loans that are issued to affiliates and so that we can get a feel

for how many organizations would not have qualified if we included all the affiliates in the numbers for the 500.

But it is also true in the NIC code exception. It would be nice for us to have that granular information. It might also be helpful for us to have that information in regards to use that use the alternative test for determining the number of employees to qualify for a small business loan.

So the more of that type of information we can get, we can then analyze what those exceptions mean. But we should not draw a conclusion that one particular organization was treated differently than any of the other organizations because of their organizing mission, and that is one thing that I would just urge us to be very careful that we do not start to discriminatorily implement ways of implementing laws that are passed by Congress.

Ms. CARRANZA. I understand that, Senator, and I look forward to meeting with you to discuss the process that we have found.

Senator CARDIN. Thank you. Thank you, Mr. Chairman.

Chairman RUBIO. Thank you. Look, we are very grateful that you came in today. It is important. As you saw, the level of interest is extraordinary in the Senate, across the country, and obviously, we have got some follow-up to work through. But we appreciate the answers you gave us here today. They are important.

As a housekeeping item, the hearing record will remain open, and any statements or questions for the record should be submitted by Wednesday, July 1st, at 5:00 p.m. And, with that, thank you both and this hearing is adjourned.

Ms. CARRANZA. Thank you.

Secretary MNUCHIN. Thank you.

[Whereupon, at 12:19 p.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

**Senate Committee on Small Business and Entrepreneurship Hearing
June 10, 2020
Follow-Up Questions for the Record**

Questions from Ranking Member Cardin

PPP Data and the Sense of the Senate

During the negotiation of the CARES Act, I pushed for the inclusion of a “Sense of the Senate” to urge SBA to provide guidance to Paycheck Protection Program lenders to prioritize underserved borrowers, including minorities, women, and rural entrepreneurs. The SBA voluntarily requests this data on application forms for all its other access to capital programs, including the 7(a) program, which serves as the platform for the PPP.

On April 17, I sent a letter along with Senate Democratic Leader Schumer and Senators Shaheen and Wyden requesting data on PPP loans, including data broken down by demographics so Congress could have a full picture of whether loans were reaching our most vulnerable small businesses.

On May 8, the SBA Office of Inspector General issued a flash report on the agency’s implementation of PPP that found that SBA’s failure to issue guidance to prioritize underserved and rural markets in PPP “did not fully align” with the Congressional intent of the CARES Act. The Inspector General went further to recommend first and foremost that this guidance be given and the PPP application revised to collect demographic information going forward. Though I am appreciative that the agencies have begun collecting demographic information in the forgiveness process, it’s been three months since the president signed the CARES Act into law and a month since the IG issued their suggested actions, and still the agencies have not implemented the IG’s number one recommendation.

Question:

Why haven’t SBA and Treasury issued the guidance on page 30 of the CARES Act?

Response:

Treasury and the Small Business Administration (SBA) have undertaken extensive and ongoing efforts to encourage lending to underserved and rural borrowers. These efforts have included recruiting lenders that operate in underserved communities to participate in the Paycheck Protection Program (PPP) and facilitating their approval of PPP loans, as well as educating underserved borrowers about the opportunities that exist for them through PPP. Guidance was issued to all lenders asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. This was done to ensure that individuals, businesses, and other entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years all benefited from PPP.

Treasury and SBA have worked closely with Congress, regional and community banks, fintech lenders, Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), the Department of Agriculture, and other stakeholders to ensure that as many workers and small businesses as possible can readily participate in the opportunities afforded by this program, with particular focus on underserved borrowers, including minorities, women, and rural entrepreneurs. Treasury and SBA extensively recruited lending institutions that typically operate in underserved communities to participate as PPP lenders. An important focus of our efforts to serve underserved communities has been to harness the role of CDFIs and MDIs. Hundreds of CDFIs were contacted and advised of their eligibility to participate in the PPP. As of August 8, 2020, when the PPP closed to new loan applications, 432 CDFIs and MDIs had participated and provided 221,000 loans totaling more than \$16.4 billion. The program has resulted in \$133 billion provided to businesses in Historically Underutilized Business Zones (HUBZones), accounting for more than 25 percent of all PPP funding. Data also show that the loans have been broadly distributed and made across diverse areas of the economy, with 27 percent of the funds going to low- and moderate-income communities, which is in proportion to their percentage of the population.

Question:

Why did the PPP application form not include a voluntary request for demographic information similar to all other SBA access to capital programs?

Response:

Treasury and SBA worked together to launch the unprecedented PPP program in record time, standing up the program in just six days after enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Treasury and SBA implemented PPP in a way that would simplify, shorten, and streamline the borrower application to facilitate participation and expedient disbursement of critical PPP funds. Treasury and SBA are working to gather additional information on program participants. The PPP Loan Forgiveness Application Form 3508, Form 3508S, and Form 3508EZ all request voluntary disclosure of veteran status, gender, race, and ethnicity from loan recipients.

Question:

How are the agencies tracking in real time to make sure underserved entrepreneurs – women and minorities in particular – are receiving an adequate proportion of PPP approvals?

Response:

Treasury and SBA are working to gather additional information on program participants. The PPP Loan Forgiveness Application Form 3508S, 3508 and Form 3508EZ all request voluntary disclosure of veteran status, gender, race, and ethnicity from loan recipients. I respectfully refer you to SBA for additional information.

Question:

What percentage of approvals have gone to women and minorities?

Response:

Treasury and SBA are working to gather additional information on program participants. The PPP Loan Forgiveness Application Form 3508S, 3508 and Form 3508EZ all request voluntary disclosure of veteran status, gender, race, and ethnicity from loan recipients.

Question:

In lieu of issuing the guidance as specified in the Sense of the Senate, how did the agencies ensure that underserved entrepreneurs had access to the information and lenders that they needed during the initial rollout/first phase of PPP?

Response:

Treasury and SBA have posted to their websites a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, fact sheets, and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics. As noted above, guidance was issued to all lenders asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. This was done to ensure that entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years, all benefited from PPP. Treasury's and SBA's efforts also included educating underserved borrowers about the opportunities that exist for them through PPP.

Question:

Economic Justice for Black Americans

The COVID-19 pandemic, with its disparate health and economic impacts on Black Americans, has laid bare the depth of racial inequality in this country. For example, more than 2 out of 5 Black small businesses and self-employed workers have been forced to close during the pandemic — well over twice the rate of white businesses. The protests we have seen are first and foremost about Black Americans' right to live, but also their right to prosper.

We have been here before. After the 1967 protests and riots in cities nationwide, the President put together the Kerner Commission to analyze why the protests happened and what we needed to do to avoid similar events in the future. In the introduction to their 1968 report, the Commission stated three basic principles needed for policy moving forward:

- To mount programs on a scale equal to the dimension of the problems;
- To aim these programs for high impact in the immediate future in order to close the gap between promise and performance;
- To undertake new initiatives and experiments that can change the system of failure and frustration that now dominates disinvested neighborhoods [the ghetto] and weakens our society.

They also said, “There can be no higher priority for national action and no higher claim on the nation’s conscience.” On all three basic principles, American public policy has consistently failed Americans of color, particularly Black Americans. We see that reflected in the data, for example:

- The typical white family has over 10 times the wealth of the typical black family, which is even worse than the racial wealth gap in 1968.
- Minority business owners are 2 to 3 times more likely to be denied loans than nonminority business owners and are more likely to receive less funding and pay higher interest rates on the loans they do receive.

It is often following this country’s darkest moments that we have moved to set change into motion. This rings true at the SBA, where the foundation for the 8(a) contracting program – the only federal contracting program focused on minority businesses – was laid by Presidents Lyndon Johnson and Richard Nixon following the recommendations of the Kerner Commission.

In our hearing last week, one of our witnesses put it aptly, saying, “America continues to struggle with discrimination in every aspect of life. The avoidable and tragic deaths that continue to befall Black Americans only deepens divides...[but] a future of economic opportunity for all communities, including entrepreneurial opportunity, will help heal these deep wounds.”

As public servants, we all have the responsibility develop policies that further the goals of justice, including economic justice. There are areas for improvement everywhere, including within Federal agencies themselves. Now is the time for bold strokes.

What steps will your respective agencies take to overhaul the systems and barriers that have led to economic inequities for Americans of color, especially Black Americans and Black business owners?

Response:

Treasury has taken, and will continue to take, steps to create opportunities for all Americans.

For example, on March 3, 2020, Treasury hosted the Freedman’s Bank Forum to gather prominent regulatory officials and private and non-profit sector leaders to honor the historical significance of the Freedman’s Bank, engage in a dialogue that both informs and highlights the Federal government’s programs and policies related to MDIs, and to promote opportunities that support economic development for all American communities.

Treasury’s CDFI Fund administers several funding programs that provide resources to financial institutions and other mission-based lenders which serve underserved communities across the country. The CDFI Fund and the Office of Community and Economic Development consistently monitor and review policies for their impact on communities that have traditionally lacked access to traditional financial products and services.

Through Treasury's leadership of the interagency Financial Literacy and Education Commission (FLEC), we work to enhance Americans' financial knowledge and skills so that they are empowered to more fully participate in our dynamic economy and make optimal financial decisions. Financial literacy is key to unlocking economic opportunity. The FLEC will seek to address disparities in financial literacy among minority populations and other groups that have been historically underserved by mainstream financial systems in order to promote broader financial inclusion in the economy. Throughout 2020, Treasury's coordination of the FLEC has proven useful in response to the financial challenges stemming from the COVID-19 national emergency and ensuring that that much-needed relief, resources, and benefits are made available in efficient ways to the people who need them most.

And with the PPP, we are encouraged that when the PPP closed to new loan applications, 432 CDFIs and MDIs across the country had made over 221,000 PPP loans for more than \$16.4 billion. On July 30, 2020, Treasury and SBA participated in a roundtable discussion with executives from MDIs. The discussion focused on the MDIs' experiences as lenders in the PPP, including their work to serve small businesses in low- and moderate-income communities.

Question:

Forgiveness and EIDL Grants

Sec. 1110(e)(6) of the CARES Act requires a PPP recipient to deduct their EIDL "advance amount" from PPP forgiveness. Groups like the Center for Responsible Lending are calling on Congress and the Administration to eliminate that requirement. Recipients that used PPP funds with integrity and paid their employees, even if they qualify for full forgiveness, will be left with a loan of up to \$10,000. They note that they would have been better off financially laying off their employees and letting them get Unemployment Insurance.

Do you support eliminating this provision?

Response:

Treasury and SBA look forward to working with you and your staff to implement the PPP program in accordance with the CARES Act to most effectively help small businesses address the economic challenges of COVID-19.

Question:

How many PPP borrowers got EIDL advances, in number and dollar amount?

Response:

I respectfully refer you to SBA for additional information on Economic Injury Disaster Loans (EIDLs).

Question:

If a lender deducted the advance from the original loan PPP amount, how could Treasury coordinate with lenders to restore that advance amount to the recipients?

Response:

I respectfully refer you to SBA for additional information on EIDL.

Question:

Second PPP for Hardest-hit Businesses

At the hearing, several members mentioned the demand from small business owners to extend a second PPP loan for those in the hardest-hit industries, especially smaller and underserved businesses.

If Congress authorizes a second PPP for the hardest-hit firms, what do you recommend in the legislation to ensure that the firms that need it the most can get access?

Response:

Treasury and SBA look forward to working with you and your staff on a bipartisan basis to most effectively help small businesses address the economic challenges of COVID-19.

Question:

Contracting:

Section 3610 Relief

Small business contractors have numerous questions and concerns surrounding Section 3610 of the CARES Act. Section 3610 titled Federal Contractor Authority allows agencies to reimburse contractors for the cost of paid leave incurred to keep their employees or subcontractors in a ready state to the extent they are 1) unable to access a government approved facility and 2) unable to telework because their jobs cannot be performed remotely.

I hear from small business contractors asking, "How does Section 3610 work together with SBA's PPP and EIDL emergency economic relief programs? Are we ineligible for Section 3610 just by applying for PPP and EIDL even though SBA relief can be used for different purposes beyond payroll?"

What guidance has Treasury and SBA given agencies on how SBA's programs should be working with Section 3610 relief?

Response:

I respectfully refer you to SBA for additional information.

Question:

How many small business contractors have received PPP loans? How many small business contractors have received EIDL loans? Can you break this down by socio-economic category?

Response:

I respectfully refer you to SBA for additional information.

Question:

How many small businesses contractors have applied for Section 3610 relief? How many have successfully gone through this process and obtained paid leave reimbursement?

Response:

I respectfully refer you to SBA for additional information.

Questions from Senator Shaheen

Paycheck Protection Program (PPP)

I'm grateful to have been able to work with my colleagues on this Committee, Chairman Rubio and Ranking Member Cardin, as well as Senator Collins to author the Paycheck Protection Program (PPP), which was designed to provide vital assistance to small businesses at a critical time.

Since then, PPP has proven to be the largest endeavor in the history of the Small Business Administration by orders of magnitude, delivering over \$500 billion in assistance to more than 4.5 million small businesses, including over \$2.5 billion to more than 22,000 businesses in New Hampshire alone.

Yet from day one, implementation of PPP by the administration has been deeply flawed in many ways, from the initial guidance to lenders that was only provided near midnight before the program went live, to today, where too many small businesses are still in the dark about how to have their loan forgiven.

Question on Loans Going to Very Large Businesses

One of the most significant problems with the early implementation of PPP was that so many loans and so much of the funding was going to businesses that I don't think any of us intended to receive it, such as large hotel and restaurant chains and professional sports franchises. Since then, I'm glad that average loan size has come down, which suggests more money is getting to small businesses as Congress intended. Moreover, I understand that many very large businesses have returned their loans and that these funds can be used for small businesses instead.

Question:

How many PPP loans and how much money has been returned to date?

Response:

I respectfully refer you to SBA for additional information on returned PPP loans.

Question:

Question on Insufficient PPP Guidance

From day one, I've heard from small businesses and lenders alike in New Hampshire that the lack of guidance from the administration was creating tremendous uncertainty and preventing assistance from getting to those who needed it most at a critical time.

Since then, additional guidance has trickled out, mostly in the form of interim final rules and questions and answers in a Frequently Asked Questions (FAQ) document. I'm glad this information is getting out somehow, but it certainly seems like an imperfect way of communicating with lenders and concerned small businesses who are struggling just to keep their doors open.

What is the current status of the rulemaking process for PPP? When do you anticipate finalizing these rules so small businesses have legal certainty they are in compliance?

Response:

Treasury and SBA have proactively worked to issue specific guidance immediately in response to each Congressional action related to the PPP, and have at the same time issued guidance in response to specific lender and borrower questions to provide program participants with as much information as possible. As noted in the introduction to your question, Treasury has posted to its website a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, and fact sheets and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Question:

Question on PPP Forgiveness Guidance

SBA and Treasury recently put out an 11-page application for forgiveness of PPP loans, consisting of several different worksheets for calculating full time equivalent employees as well as other eligible expenses, and requiring extensive documentation of those costs.

Obviously there is a need to ensure that PPP funds were used as Congress intended before they are forgiven. I'm pleased SBA and Treasury have issued a revised form as well as "EZ" version, but I still worry many small businesses will struggle to complete it accurately and receive forgiveness of their PPP loans.

What can SBA and Treasury do to better balance these twin goals? Is there a way this process can be further streamlined, particularly for the very smallest businesses that may not have access to accountants or tax lawyers, while still providing accountability and integrity for the program?

Response:

As noted in your question, Treasury and SBA have posted a revised, borrower-friendly standard forgiveness application, as well as an “EZ” version that requires fewer calculations and less documentation for eligible borrowers. SBA and Treasury have also released a simpler loan forgiveness application (Form 3508S) for PPP loans of \$50,000 or less. SBA and Treasury have also eased the burden on PPP lenders, allowing lenders to process forgiveness applications more swiftly. Secretary Mnuchin has also highlighted the use of third-party websites that assist borrowers with completing the forgiveness process. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Question:Question on Form 1502 Guidance for Seasonal Businesses

Summer camps in New Hampshire have a rich history and contribute enormously to the state’s economy. Many camps quickly applied for PPP loans when they became available. The original guidance for the PPP program, however, did not favor businesses with a summer peak season. It did not allow camps to use their peak summer payroll to calculate the maximum loan amount for the program. On April 27th, new interim guidance was released that included an allowance for any 12 week period between May 1 and September 15 to calculate a maximum loan amount. In many cases, this change would more than double the qualifying amount for individual camps.

As camps began to request loan amendments, they discovered a limitation in the guidance that disallows loan modifications after the lending institution files the initial Form 1502. This limitation has effectively blocked the intended benefit of the additional summer date field. According to our research, over 90% of camps that have attempted to amend their original loan amounts have been denied as a result of the Form 1502 clause. In addition, the deadline for loan applications in the program is June 30th. If the Form 1502 issue can be resolved, the deadline for amending existing loans will need to be extended for some period of time to allow camps to realize the originally intended benefit of the new summer date allowance.

Will Treasury and SBA allow businesses to use the May 1 to September 15 date range to amend existing PPP loans through July 31 even after Form 1502 has been filed by the lending institution?

Response:

I respectfully refer you to the SBA for additional information about the Form 1502 reporting process.

Question:Transparency and Oversight

In our system of government, Congress not only writes the laws but also has a duty and obligation to provide oversight that those laws are faithfully executed by the executive branch.

But to conduct that oversight effectively, Congress needs data and information about whether programs are operating as intended.

Unfortunately in the case of PPP and EIDL, we have struggled mightily to data from this administration, so we're all still in the dark about so many critical aspects of these programs. This includes demographic information about borrowers and which lenders have been most successful delivering assistance to the small businesses who need it most.

Instead, we've been forced to piece together an overall picture of these programs through anecdotes, media reports, and the very limited information that has been provided by the administration.

What additional data, particularly as it relates to the types of businesses that are receiving PPP and EIDL loans, does the administration intend to provide, and when?

Response:

Treasury and SBA are committed to implementing the CARES Act with transparency and accountability. Information regarding approved PPP loans and program participation is regularly provided on our websites, including data to help inform your and the public's understanding of borrower participation, such as the number and dollar amount of loans, number of loans by amount, distribution by lender size and type, list of top lenders, average loan size, and loan distribution across industries and states.

Additionally, SBA has made additional data regarding PPP loans publicly available in a manner that balances the interests of transparency with protections for small businesses, sole proprietors, and independent contractors. SBA disclosed the business names, addresses, NAICS codes, zip codes, business types, demographic data, jobs supported, and loan amount ranges as follows: \$150,000–350,000; \$350,000–1 million; \$1–2 million; \$2–5 million; and \$5–10 million. These categories account for nearly 75 percent of the loan dollars approved. For loans below \$150,000, SBA disclosed the specific loan amounts along with NAICS codes, zip codes, business types, demographic data, and jobs supported, but no personally identifiable borrower information.

This approach to public disclosure, which was developed in a bipartisan agreement with the Senate Small Business Committee, will allow Americans to see how their tax dollars are being spent while ensuring that America's entrepreneurs and job creators are able to compete fairly as our economy safely reopens. Unlike other SBA loans, PPP loan amounts are calculated based on payroll data, which employers typically treat as commercially sensitive or proprietary. In general, a borrower's specific PPP loan amount will reveal the borrower's nonpublic payroll information—including the personal income of independent contractors and sole proprietors that received PPP loans.

In addition to these public disclosures, SBA worked with congressional committees and the Government Accountability Office to provide full access to all PPP loan-level information—including, but not limited to, all borrower names and loan amounts—in a manner that afforded

appropriate confidential treatment for nonpublic personally identifiable and commercially sensitive business information.

Question:State and Municipal Funding

While Congress made many 501(c)(3) organizations eligible for PPP, entities organized under 501(c)(6) of the Internal Revenue Code, including local chambers of commerce and destination marketing organizations, are not currently eligible for PPP. However, as part of the CARES Act, Congress appropriated \$150 billion for state and local governments to help combat the COVID-19 pandemic and associated economic effects.

Is there any prohibition in statute or regulation that would prevent states from providing these funds to local chambers of commerce, destination marketing organizations, and other similar entities that have suffered economic harm during the COVID-19 pandemic?

Response:

Governments that received Coronavirus Relief Funds (CRFs) can provide grants to small businesses and non-profits unbudgeted for COVID-19 related expenditures. Treasury guidance makes clear that CRF funds can be used for the marketing of a recipient government's tourism industry, for example publicizing the resumption of activities and steps taken to ensure a safe experience due to the public health emergency, provided that the CRF dollars are spent in accordance with the statute. Expenses related to developing a long-term plan to reposition a recipient's convention and tourism industry and infrastructure would not be incurred due to the public health emergency and therefore may not be covered using payments from the Fund.

Questions from Senator Scott

Secretary Mnuchin, I appreciate your leadership in the pandemic response and recovery efforts. No doubt you are all too familiar with the outsized impact the pandemic has had on the hospitality, food, and beverage industries.

We've lost over a thousand restaurants in the Charleston area alone, and the local food and wine distributors that supply these restaurants - mostly small businesses - have seen their sales collapse by upwards of 50%. These losses are compounded further by increased supply costs due to tariffs on EU food and wine.

There is a simple solution to help our companies receive much needed liquidity: provide businesses a rebate for tariffs paid during the nationwide shutdowns of March to May. I've already joined a letter with fellow Senate Finance Republicans to you and Ambassador Lighthizer seeking broad based deferral of tariff payments, but in these "hardest hit" sectors, such as those that supply restaurants, we can do more.

Please answer the following with specificity:

Question:

Will you work with me and Ambassador Lighthizer to find ways to provide this much needed relief to hard hit businesses?

Response:

We are aware of the economic effect of the pandemic on small- and medium-sized businesses. While all federal income tax return filings and payments that were due between April 1, 2020 and July 15, 2020 were postponed until July 15, 2020, most excise tax obligations have been due and payable as regularly scheduled. We had to make difficult decisions on where deferrals would be most impactful, while keeping in mind fiscal prudence.

Question:

Secretary Mnuchin, It's obvious that Congressional intent with Title I of the CARES Act and the loan forgiveness for the Paycheck Protection Program (PPP) was to not only allow business owners to keep payroll going, but to also allow for business continuity.

There wouldn't be a payroll to maintain if a business stopped paying its mortgage or rent. I view insurance premiums in that same category – small businesses seeing lapses in their insurance coverage would be a disaster for business continuity, especially as the hurricane season just started.

These expenses should count as a forgivable expense under the program. I've written to Administrator Carranza on this topic in the past.

Please answer the following with specificity:

Will all types of insurance premium payments made with PPP loans be considered forgivable under the program?

Response:

Treasury and SBA have posted guidance that provides detailed instructions on applying for loan forgiveness, including descriptions of forgivable payroll and non-payroll expenses. For example, this includes guidance concerning employer payments required for the provision of group health care benefits. Please see Treasury and SBA guidance on forgivable expenses, which is posted on the agencies' website.

Question:

If so, will you issue guidance to clarify the matter, and when?

Response:

Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Questions from Senator Booker**Justice Involved Entrepreneurs**

Preventing those who have already paid their debt to society from accessing critical—and in many cases business-saving—PPP loans is just another example of the countless barriers formerly incarcerated people face when working to restart their lives and contribute to our economy.

I appreciate the recent efforts by Treasury and the Small Business Administration to reduce the felony conviction look-back period for PPP applicants from five years to one year. Still, the rule excludes business owners with a felony charge within the last year, and those who are “currently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction.”

Question:

Why does a felony criminal conviction in the year preceding the coronavirus pandemic—outside of one related to fraud, bribery, embezzlement, or a false statement in a loan application or an application for financial assistance—make an individual a less worthy applicant? In other words, what is the policy justification for the Treasury preventing individuals with a past criminal conviction from accessing PPP loans?

Response:

On June 12, 2020, Treasury and SBA posted revised PPP borrower and lender application forms and an interim final rule modifying the eligibility restrictions for individuals with criminal histories. The changes that were made to the eligibility requirements are more consistent with congressional intent to provide relief to small businesses and also promote the important policies underlying the First Step Act of 2018. Treasury and SBA will continue to provide additional guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Question:

A critical tenet of our criminal justice system is the principle that individuals are innocent until proven guilty. Why does Treasury and the Small Business Administration believe that individuals who are “currently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction” should not enjoy that presumption of innocence when it comes to accessing PPP loans?

Response:

As mentioned above, on June 12, 2020, Treasury and SBA posted revised PPP Borrower and Lender Application Forms and an interim final rule modifying the eligibility restrictions for individuals with criminal histories. The changes that were made to the eligibility requirements are more consistent with Congressional intent to provide relief to small businesses and also

promote the important policies underlying the First Step Act of 2018. Treasury and SBA will continue to provide additional guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Questions from Senator Ernst

Question:

With the growing list of Paycheck Protection Program FAQs, do you believe it is necessary for Congress to pass language providing safe harbor from enforcement actions for lenders to ensure that they are not held liable for information provided by borrowers at the time that FAQs and guidance was available?

Response:

Treasury and SBA have issued rules and guidance regarding lenders' obligations under the PPP. Treasury and SBA look forward to working with you and your staff if further changes are needed in order to implement the program in accordance with the intent of Congress and to most effectively help small businesses address the economic challenges of COVID-19.

Question:

Part-Time Student Employees

The May 5th interim final rule for the Paycheck Protection Program clarified that student workers do not count toward the 500 employee threshold if their services are performed as part of Federal Work-Study (FWS) or a similar state or local government program. This guidance has allowed a few different Iowa colleges to receive PPP loans, allowing them to retain their workforce during this difficult time.

I am very appreciative of this guidance. However, I have heard from other Iowa colleges that this guidance still does not allow them to receive a loan, as most of their student workers are not part of FWS or a similar state or local program. These institutions would have less than 500 employees if all part-time student workers were excluded from the threshold, but they are over the threshold when only FWS students are excluded.

Would you consider additional guidance to clarify that all part-time student employees are exempt from the Paycheck Protection Program's 500 employee eligibility threshold, including those that are not part of FWS or a similar state or local program?

Response:

Treasury looks forward to working with Congress on a bipartisan basis to help small businesses and other eligible borrowers get the assistance they need.

Questions from Senator Coons**Question:****Community Development Financial Institutions**

Beyond the set aside for community-based lenders under the PPP, what does Treasury plan to do to increase access to capital to communities that have been underserved by traditional financial providers, particularly the Black community?

Response:

Since enactment of the CARES Act, Treasury and SBA have worked tirelessly and closely with Congress, with borrowers, and with lenders of all sizes—including regional and community banks, CDFIs, and MDIs—to ensure the broadest possible segment of small businesses can access the PPP. Treasury and SBA extensively recruited lending institutions that typically operate in underserved communities to participate as PPP lenders. An important focus of our efforts to serve underserved communities has been to harness the role of CDFIs and MDIs. Hundreds of CDFIs were contacted and advised of their eligibility to participate in the PPP. Guidance was issued to all lenders asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. This was done to ensure that entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years, all benefited from PPP. On July 30, 2020, Treasury and SBA participated in a roundtable discussion with executives from MDIs; the discussion focused on the MDIs' experiences as lenders in the PPP, including their work to serve small businesses in low- and moderate-income communities. As of August 8, 2020, when the PPP closed to new loan applications, 432 MDIs and CDFIs had participated from across the country, providing over 221,000 loans for more than \$16.4 billion. The program resulted in \$133 billion provided to businesses in HUBZones, accounting for more than 25 percent of all PPP funding.

In addition, Treasury's CDFI Fund administers several funding programs that provide resources to financial institutions and other mission based lenders which serve underserved communities across the country. The CDFI Fund and the Office of Community and Economic Development consistently monitor and review policies for their impact on communities that have traditionally lacked access to traditional financial products and services.

Question:

What role do you see the CDFI Fund playing in increasing access to capital and how do you plan to support the work of CDFIs?

Response:

The Administration is committed to promoting growth and jobs in low-wealth communities. Through the implementation of its annual grant, tax credit and bond guarantee programs, the

CDFI Fund provides resources to mission driven financial institutions that work in and support access to capital and credit in underserved communities across the country. Since its creation in 1994, the CDFI Fund has awarded over \$3.6 billion to CDFIs, community development organizations, and financial institutions through programs including the Bank Enterprise Award Program, the Capital Magnet Fund, the CDFI Program, the Healthy Food Financing Initiative, and the Native American CDFI Assistance Program. In addition, the CDFI Fund has allocated \$61 billion in tax credit allocation authority to Community Development Entities through the New Markets Tax Credit Program, and guaranteed bonds in the amount of over \$1.6 billion through the CDFI Bond Guarantee Program.

Question:

Should the CDFI Fund receive a supplemental appropriation in the next COVID-19 relief bill? If so, how much funding could the CDFI Fund quickly deploy with its current capacity? What benefits would this additional funding have to communities?

Response:

The Administration will work with Congress on a bipartisan basis to address the economic challenges of COVID-19.

Questions from Senator Young

To provide relief for the hardest hit businesses, we must deliver the relief as fast as possible, maximize outreach, and provide loans to a larger pool of applications through proper targeting. My RESTART proposal would provide flexible loans to more businesses and nonprofits to cover payroll, benefits, and operating costs for six months with forgiveness based on revenue loss during the pandemic. Additionally, there will be no requirement to increase staffing beyond what business conditions dictate.

Question:

Can you elaborate on the importance of expanding the Payroll Protection Program (PPP) – like my RESTART proposal – and its benefit for a recovering economy?

Response:

The PPP has helped keep tens of millions of American employees connected to their jobs. As of August 8, 2020, when the PPP closed to new loan applications, SBA had approved over 5.2 million PPP loans for more than \$525 billion to support the employment of over 51 million workers and greater than 80 percent of the small business payroll across the country. Loans were broadly distributed and made across diverse areas of the economy, with 27 percent of the funds going to low- and moderate-income communities, which is in proportion to their percentage of the population. Treasury and SBA look forward to working with you and your staff as you consider additional legislation to help small businesses address the economic challenges of COVID-19.

Question:

Can you also speak to the need for flexibility with respect to covered expenses and how loan forgiveness should be calculated?

Response:

Treasury and SBA have updated their guidance to reflect the PPP Flexibility Act of 2020's amendments to the PPP, including by:

- Extending the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement, providing substantially greater flexibility for borrowers to qualify for loan forgiveness. Borrowers who have already received PPP loans retain the option to use an eight-week covered period.
- Lowering the requirements that 75 percent of a borrower's loan proceeds must be used for payroll costs and that 75 percent of the loan forgiveness amount must have been spent on payroll costs to 60 percent for each of these requirements. If a borrower uses less than 60 percent of the loan amount for payroll costs during the forgiveness covered period, the borrower will continue to be eligible for partial loan forgiveness, subject to at least 60 percent of the loan forgiveness amount having been used for payroll costs.
- Increasing to five years the maturity of PPP loans that are approved by SBA (based on the date SBA assigns a loan number) on or after June 5, 2020.

Treasury and SBA have also posted guidance on frequently asked questions on loan forgiveness, as well as on procedures for lenders' submissions of PPP loan forgiveness decisions to SBA and SBA loan forgiveness reviews. Treasury and SBA will continue to provide additional guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Question:**Main Street Lending Program**

Mr. Secretary, as you are aware, the Federal Reserve announced a major expansion of its "Main Street" lending program to allow a wider range of companies to borrow – specifically targeting small to midsize companies by lowering the minimum loan amount.

The Fed also extended the term of eligible loans by one year, meaning that businesses will now have five years – instead of four – to repay the debt. More notably, businesses won't need to start repaying the loan's principal for two years.

While these are significant changes and will aid economic recovery, how does the Treasury Department plan to provide relief to the hardest hit small and mid-sized businesses who need loans less than the \$250,000 minimum loan requirement?

Response:

Treasury looks forward to working with you and your staff as you consider additional legislation to help businesses address the economic challenges of COVID-19.

Question:

Lending for nonprofit organizations

In addition to the recent announcement on the “Main Street” lending program, the Fed also announced that it will soon create a lending option for nonprofit organizations. While details are likely forthcoming, it is important to note that nonprofits – most of whom been ineligible for PPP loans – will need relief.

Under my RESTART proposal, a wide array of nonprofits will have access to RESTART loans. In short, smaller nonprofits will have the option to be eligible for loan forgiveness or to receive more favorable loan terms as compared to for-profit companies. Additionally, larger nonprofits of more than 500 employees will receive the more favorable loan terms providing liquidity and the ability to rebuild over time.

Mr. Secretary, can you elaborate on the importance of expanding loan programs to nonprofits while also providing favorable borrowing terms?

Response:

Nonprofit organizations play a vital role in our economy and our society, and often are on the frontlines of our nation’s response to COVID-19. Treasury looks forward to working with you and your staff as you consider additional legislation to further help nonprofits address the economic challenges of COVID-19.

Question:

What has the Treasury been doing to support the hardest hit nonprofits? Would you be willing to work with Congress in a bipartisan manner to develop a proper loan program that will support the widest range of nonprofits?

Response:

Treasury has taken a number of steps to support nonprofit organizations facing challenges during COVID-19. Most recently, Treasury and the Federal Reserve worked closely together to expand the Main Street Lending Program to include the Nonprofit Organization New Loan Facility and the Nonprofit Organization Expanded Loan Facility, which became operational on September 4. Like the Main Street facilities for small and medium-sized businesses, the nonprofit facilities are designed to provide support to small and medium-sized nonprofit organizations and their employees across the United States during the current period of financial strain by supporting the provision of credit to such organizations. The availability of additional credit is intended to help nonprofit organizations that were in sound financial condition prior to the onset of the COVID-19 pandemic maintain their operations and payroll until conditions normalize. The Main Street

nonprofit facilities are supported by Treasury's \$75 billion investment of loss-protecting capital under authority provided by the CARES Act. For more information, I respectfully refer you to the Federal Reserve.

Treasury and SBA worked together to launch the unprecedented PPP program in record time, standing up the program in just six days after enactment of the CARES Act. SBA approved over 5.2 million loans for more than \$525 billion, including approximately 182,500 loans to nonprofit organizations. Treasury looks forward to working with you and your staff as you consider additional legislation to help nonprofits address the economic challenges of COVID-19.

Question:

PPP Eligibility

The PPP was passed by Congress with the intent that it would be available to all small businesses that meet SBA size criteria. Multifamily businesses such as apartment complexes provide a vital source of affordable housing, an area in which I have worked hard in Congress to support through housing credits and regulatory reform. Conflicting guidance from the SBA, however, has created some confusion as to their eligibility for the program.

While the SBA's Interim Final Rule applied certain existing regulations on 7(a) loans related to "passive" businesses, this definition both fails to capture the role of multifamily businesses as marketplace job creators as well as Congress' intent when it established the PPP.

Mr. Secretary, can you clarify the standards being used by the SBA for PPP eligibility, particularly for these kinds of businesses? If they are ineligible, for what reasons in particular are such businesses sidelined while other sectors enjoy access to emergency capital?

Response:

To facilitate lender and borrower participation in the PPP, Treasury has posted information to its website to address specific lender and borrower questions about eligibility and the application process, among other topics. Treasury and SBA will continue to provide additional guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need. Treasury and SBA look forward to working with you and your staff as you consider additional legislation to help small businesses address the economic challenges of COVID-19.

Question:

Eligible expenses

As the Treasury has implemented PPP, health insurance premiums and retirement contributions have been included in the definition of eligible payroll maintenance expenses. So far, Hoosiers in the life insurance industry have provided feedback – advocating for the inclusion of premiums for life insurance, supplemental benefits (dental and vision), and indemnity plans as eligible expenses. Expanding this policy is consistent with ERISA's broad definition of employee welfare plans, and appears to be in accordance with the legislative intent of the CARES Act.

Mr. Secretary, as the Treasury and SBA were implementing PPP, were there discussions related to the inclusion of premiums beyond health insurance as eligible expenses?

Response:

Treasury and SBA have posted guidance that provides detailed instructions on applying for loan forgiveness, including descriptions of forgivable payroll and non-payroll expenses. For example, this includes guidance posted on August 11, 2020, concerning employer payments required for the provision of group health care benefits, including insurance premiums for vision and dental benefits.

Question:

If you believe that you do not have the authority to expand eligible premium expenses, would you be willing to work with Congress in a bipartisan manner to provide clarity?

Response:

Treasury and SBA look forward to working with you and your staff as you consider additional legislation to help small businesses address the economic challenges of COVID-19.

Questions from Senator Hirono

Loan guidance for PPP

Treasury and SBA recently issued updated loan guidance for PPP.

Question:

How was the updated guidance shared with lenders, borrowers, resource partners, and other relevant stakeholders?

Response:

Treasury and SBA have conducted extensive outreach to ensure that guidance is shared with lenders, borrowers, resource partners, and other relevant stakeholders in a timely manner. Treasury has posted to its website a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, and fact sheets and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics.

Questions:

What resources are available for stakeholders who have questions about the updated guidance?

Response:

As noted above, Treasury has posted to its website a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, and fact sheets and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need. I respectfully refer you to SBA for additional information about how SBA provides assistance via its network of district offices and resource partners, its lender customer service line, its system of email updates, its extensive outreach efforts including calls and webinars, as well as through other resources.

Question:

What resources are available for stakeholders who have questions about loan forgiveness?

Response:

The guidance noted above includes detailed information about the forgiveness application process. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance and guidance about loan forgiveness they need. I respectfully refer you to SBA for additional information about how SBA provides assistance via its network of district offices and resource partners, its lender customer service line, its system of email updates, its extensive outreach efforts including calls and webinars, as well as through other resources.

Question:Smaller businesses in PPP

Lenders and borrowers have expressed concerns about the loan forgiveness process, which can be especially complicated for “smaller” businesses that lack access to resources like consultants who can answer their questions. Recently, Treasury and SBA announced changes to make the loan forgiveness process easier for certain borrowers.

Can you elaborate on these changes—how have Treasury and SBA made the process easier for borrowers? Which borrowers will benefit from these changes?

Response:

The guidance noted above has included a revised, borrower-friendly standard forgiveness application and instructions, as well as an “EZ” version for certain borrowers that requires fewer calculations and less documentation. The “PPP Loan Forgiveness Application Form 3508EZ Instructions for Borrowers” document on Treasury’s webpage provides a list of the specific borrowers who are eligible to use the EZ form to apply for loan forgiveness. SBA and Treasury have also released a simpler loan forgiveness application (Form 3508S) for PPP loans of \$50,000

or less. SBA and Treasury have also eased the burden on PPP lenders, allowing lenders to process forgiveness applications more swiftly.

Question:

Have Treasury and SBA considered further changes to make the process easier for smaller businesses with 10 or fewer employees?

Response:

Treasury and SBA look forward to working with Congress in a bipartisan way if further changes are needed in order to implement the program in accordance with the intent of Congress and to most effectively help small businesses address the economic challenges of COVID-19. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need. As noted above, I respectfully refer you to SBA for additional information about how SBA provides assistance to borrowers, including those businesses with 10 or fewer employees, via its network of district offices and resource partners, its lender customer service line, its system of email updates, its extensive outreach efforts including calls and webinars, as well as through other resources.

Question:

What resources are available for smaller borrowers who have questions about loan forgiveness?

Response:

As noted above, Treasury and SBA conducted and continue to conduct extensive outreach to ensure that guidance is shared with lenders, borrowers, resource partners, and other relevant stakeholders in a timely manner. This includes guidance on loan forgiveness. Treasury has posted to its website a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, and fact sheets and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics. I respectfully refer you to SBA for additional information about how SBA provides assistance via its network of district offices and resource partners, its lender customer service line, its system of email updates, its extensive outreach efforts including calls and webinars, as well as through other resources.

Question:

Community Development Financial Institutions

Recently the SBA IG reported a lack of clear guidance from Treasury and SBA to PPP lenders related to how they (lenders) should prioritize rural and underserved businesses for PPP—particularly for minority-owned, women-owned, and veteran-owned businesses. We know CDFIs serve many of these businesses, and yet it took Treasury and SBA nearly a month after CARES was enacted to release guidance for CDFIs that were interested in providing loans.

Can you elaborate on why this guidance was delayed?

Response:

Since enactment of the CARES Act, Treasury and SBA undertook extensive, ongoing efforts to encourage PPP lending to underserved and rural borrowers. In light of the urgency to launch the program, Treasury and SBA determined that the most effective way to ensure PPP loans could reach rural and underserved communities was to make sure that we had an army of lenders participating that were positioned to reach borrowers who had less well-established banking relationships. These efforts have included recruiting lenders that operate in rural and underserved communities to participate in PPP and facilitating their approving PPP loans, as well as educating rural and underserved borrowers about the opportunities that exist for them through PPP. Guidance was issued to all lenders asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. This was done to ensure that entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years, all benefited from PPP.

An important focus of Treasury's and SBA's efforts to serve underserved communities has been to harness the role of CDFIs and MDIs. Hundreds of CDFIs were contacted and advised of their eligibility to participate in the PPP. SBA, in consultation with Treasury, set aside \$10 billion of Round 2 funding to be lent exclusively by CDFIs to further ensure that the PPP reached all communities in need of relief during the COVID-19 pandemic. As of August 8, 2020, when the PPP closed to new loan applications, 432 CDFIs and MDIs had participated from across the country, providing more than 221,000 loans for over \$16.4 billion. The program has resulted in \$133 billion provided to businesses in HUBZones, accounting for more than 25 percent of all PPP funding. Data also show that the loans have been broadly distributed and made across diverse areas of the economy, with 27 percent of the funds going to low- and moderate-income communities, which is in proportion to their percentage of the population.

Follow up: Recently, Treasury and SBA agreed to reserve \$10 billion for CDFIs through PPP.

Question:

Can you elaborate on what else Treasury and SBA have done to support CDFIs that work to make sure rural and underserved businesses, including minority-owned, women-owned, and veteran-owned businesses, have access to PPP?

Response:

As noted above, since enactment of the CARES Act, Treasury and SBA have worked tirelessly and closely with Congress, with borrowers, and with lenders of all sizes—including regional and community banks, CDFIs, and MDIs—to ensure the broadest possible segment of small businesses can access the PPP. We have extensively recruited lending institutions that typically operate in underserved communities to participate as PPP lenders. An important focus of our

efforts to serve underserved communities has been to harness the role of CDFIs and MDIs. Hundreds of CDFIs were contacted and advised of their eligibility to participate in the PPP. Treasury and SBA worked with the Federal Reserve to establish the Payroll Protection Program Liquidity Facility to enable PPP lenders, including both bank and nonbank lenders as well as CDFIs and MDIs, to pledge PPP loans to the Federal Reserve as collateral for Federal Reserve borrowings to enhance lender liquidity and enable PPP lenders to expand lending capacity. The availability of this liquidity has greatly benefited nonbank and smaller PPP lenders that lend to underserved communities and that lend to the smallest businesses.

To further ensure that the PPP reached all communities in need of relief during the COVID-19 pandemic, SBA, in consultation with Treasury, set aside \$10 billion of Round 2 funding to be lent exclusively by CDFIs, in addition to the statutory set-asides in the Paycheck Protection Program and Health Care Enhancement Act of \$30 billion for community financial institutions and small banks and credit unions and an additional \$30 billion for banks and credit unions with assets between \$10 billion and \$50 billion. Treasury and SBA staff hosted tele-townhall forums with trade associations representing CDFI lenders to specifically engage with these lenders and understand how to better serve their customers in underserved communities. Guidance was also issued to all lenders, including CDFIs, asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities to expand economic opportunity.

As of August 8, 2020, when the PPP closed to new loan applications, 308 CDFIs had participated from across the country, providing over 114,000 PPP loans for more than \$7.5 billion.

Question:

PPP deadline

PPP has provided a lifeline for many small businesses, but the deadline for businesses to apply for new loans is June 30. Nationwide, many businesses have been unable to fully reopen and are unlikely to return to their pre-COVID revenue anytime in the near future.

Have Treasury and SBA considered whether to provide additional assistance for these businesses beyond June 30?

Response:

On July 4, 2020, the President signed an amendment to the CARES Act to extend SBA's authority to guarantee PPP loans through August 8, 2020.

Question:

Do you have flexibility to reallocate remaining funding for PPP?

Response:

As noted above, on July 4, 2020, the President signed an amendment to the CARES Act to extend SBA's authority to guarantee PPP loans through August 8, 2020. As of August 8, 2020, more than 5.2 million PPP loans had been approved for over \$525 billion to eligible borrowers across America; \$134 billion of funding remained. I respectfully refer you to the SBA for additional information. Treasury and SBA look forward to working with Congress on a bipartisan basis if further changes are needed in order to most effectively help small businesses address the economic challenges of COVID-19.

Follow up:

Question:

As the deadline approaches, what steps have Treasury and SBA taken, if any, to clarify whether borrowers that returned funds due to the terms of the original guidance may reapply for loans?

Response:

Treasury and SBA have proactively worked to issue specific guidance immediately in response to each Congressional action related to the PPP, and have at the same time issued guidance in response to specific lender and borrower questions to provide program participants as much information as possible. Treasury has posted to its website a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, and fact sheets and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Question:

Have Treasury and SBA clearly articulated guidance that borrowers may choose a covered period of a duration of between 8 weeks and 24 weeks?

Response:

Treasury and SBA have issued guidance to extend the covered period for loan forgiveness from eight weeks after the date of loan disbursement to 24 weeks after the date of loan disbursement, providing substantially greater flexibility for borrowers to qualify for loan forgiveness. Borrowers who have already received PPP loans retain the option to use an eight-week covered period.

Question:

Nonprofit organizations

I have heard from nonprofits concerned about their "ad hoc" employees being counted the same as full-time employees for the purposes of determining whether they should receive PPP. These nonprofits are concerned that with these ad hoc employees they may exceed the SBA's size

standard for PPP, meaning that they cannot receive assistance. Furthermore, they may not be able to receive assistance through other programs available to businesses that exceed the small business size standard for PPP.

What, if anything, have Treasury and SBA done to address this “ad hoc” employee issue for nonprofits?

Response:

Treasury has posted to its website a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, and fact sheets and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics. This includes guidance on program eligibility, how to count employees to determine eligibility, and calculating eligible payroll expenses. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Question:

What else have Treasury and SBA done to promote access to PPP and other programs for nonprofits—including for larger nonprofits?

Response:

Treasury has taken a number of steps to support nonprofit organizations facing challenges during COVID-19. Treasury and SBA worked together to launch the unprecedented PPP program in record time, and SBA has approved over 5.2 million loans for more than \$525 billion, including to eligible nonprofit borrowers. More recently, Treasury and the Federal Reserve worked closely together to expand the Main Street Lending Program to include the Nonprofit Organization New Loan Facility and the Nonprofit Organization Expanded Loan Facility, which became operational on September 4. To be eligible for these facilities, nonprofits may have 15,000 employees or fewer, or 2019 annual revenues of \$5 billion or less. The maximum loan size is \$300 million. For more information, I respectfully refer you to the Federal Reserve.

Question:

Community Development Financial Institutions

We know that access to capital is essential for small businesses to be able to recover. In many instances, CDFIs provide businesses with this access to capital, particularly in rural and underserved communities, and for minority-owned, women-owned, and veteran-owned businesses:

Beyond the recent reservations for CDFIs and other community lenders through PPP, what does Treasury plan to do to increase access to capital for communities that have been underserved by traditional financial providers, particularly minority communities?

Response:

Treasury's CDFI Fund administers funding programs to CDFIs and other mission driven lenders that provide access to capital and credit in underserved communities across the country to promote community and economic development. Treasury will continue to administer funds as authorized and appropriated by Congress. In addition, the CDFI Fund and the Treasury's Office of Community and Economic Development consistently monitor and review policies for their impact on communities that have traditionally lacked access to traditional financial products and services.

Question:Follow-up

Follow up Recently I joined several colleagues to request \$1 billion in emergency funding for the CDFI Fund. With this additional funding, we could provide CDFIs with resources as soon as possible:

What role do you see the CDFI Fund playing in increasing access to capital?

Response:

Treasury's CDFI Fund administers funding programs to CDFIs and other mission driven lenders that provide access to capital and credit in underserved communities across the country to promote community and economic development. Treasury will continue to administer funds as authorized and appropriated by Congress.

Question:

How do you plan to support its work?

Response:

As directed, Treasury will continue to administer funds as authorized and appropriated by Congress.

Questions from Senator KennedyQuestion on Forgiveness

Treasury and the Small Business Administration (SBA) need to promptly provide a straightforward, easy-to-apply approach to loan forgiveness, such as developing a Paycheck Protection Program (PPP) loan forgiveness calculator that will allow borrowers and lenders to easily determine the forgiven amount.

Question:

The forgiveness process and form is overly complicated. Would the Treasury and the SBA consider creating an online forgiveness calculator to help borrowers through the process?

Response:

Treasury and SBA have issued a revised, borrower-friendly standard forgiveness application and instructions, as well as a simplified “EZ” loan forgiveness application and instructions for certain borrowers that requires fewer calculations and less documentation. The “PPP Loan Forgiveness Application Form 3508EZ Instructions for Borrowers” document on Treasury’s webpage provides a list of the specific borrowers who are eligible to use the EZ form to apply for loan forgiveness. SBA and Treasury have also released a simpler loan forgiveness application (Form 3508S) for PPP loans of \$50,000 or less. SBA and Treasury have also eased the burden on PPP lenders, allowing lenders to process forgiveness applications more swiftly. Secretary Mnuchin has also highlighted the use of third-party websites that assist borrowers with completing the forgiveness process.

Question:

What steps can the Treasury and/or SBA take, without Congress changing the statute, to simplify the process for small borrowers?

Response:

As noted above, Treasury and SBA have issued a simplified “EZ” loan forgiveness application and instructions for certain borrowers. The “PPP Loan Forgiveness Application Form 3508EZ Instructions for Borrowers” document on Treasury’s webpage provides a list of the specific borrowers who are eligible to use the EZ form to apply for loan forgiveness. SBA and Treasury have also released a simpler loan forgiveness application (Form 3508S) for PPP loans of \$50,000 or less. SBA and Treasury have also eased the burden on PPP lenders, allowing lenders to process forgiveness applications more swiftly.

Question:

What specific statutory changes does the Treasury/SBA believe are necessary to streamline the forgiveness process for small borrowers?

Response:

As noted above, Treasury and SBA have issued a simplified “EZ” loan forgiveness application and instructions for certain borrowers. The “PPP Loan Forgiveness Application Form 3508EZ Instructions for Borrowers” document on Treasury’s webpage provides a list of the specific borrowers who are eligible to use the EZ form to apply for loan forgiveness. SBA and Treasury have also released a simpler loan forgiveness application (Form 3508S) for PPP loans of \$50,000 or less. SBA and Treasury have also eased the burden on PPP lenders, allowing lenders to process forgiveness applications more swiftly.

Treasury and SBA look forward to working with you and your staff as you consider additional legislation to help small businesses address the economic challenges of COVID-19.

Question:

Question on Agent Fees for PPP

The CARES Act does not create or impose upon lenders a contractual obligation to pay agent fees for Paycheck Protection Program (PPP) loans. Instead, the CARES Act simply established agent fee rates. Any agent fee, whether borrower's agent or lender's agent, must be paid by the lender (not with PPP funds) and is limited to (a) 1 percent for loans \$350,000 and under; (b) 0.5 percent for loans greater than \$350,000 to \$2 million; and (c) 0.25 percent for loans greater than \$2 million.

Due to the lack of clear guidance, there have been at least three class-action lawsuits filed from parties making claims that agent fees are owed. Agents and banks should be required to have a contract in place prior to the Agent making any claim for an agent fee, and the Small Business Administration's (SBA) Final Rule should make clear that an agent fee is not owed by a lender unless and until there is an agreement in place.

The Interim Final Rule issued by the SBA leaves some ambiguity around agent fees for PPP loans, which creates the ability for unknown agents to sue banks for fees. Surely this was not the intent of the SBA.

Is this an issue that can be clarified in a FAQ document or further rulemaking process?

Response:

Treasury has posted to its website a series of documents, including interim final rules that implement the PPP, a set of frequently asked questions, and fact sheets and other documents to address specific lender and borrower questions about eligibility and the application process, among other topics. This includes rules and guidance regarding agent fees, including paragraph III.4.c of the initial PPP interim final rule (85 Fed. Reg. 20811, 20816), and that the payment or nonpayment of fees of an agent or other third party is not material to SBA's guarantee of a PPP loan or to SBA's payment of fees to lenders. Treasury will continue to work with SBA to provide further guidance, as appropriate, to help small businesses and other eligible borrowers get the assistance they need.

Question:

Will you work with me to ensure that lenders owe agents fees only when there are contractual obligations?

Response:

Treasury and SBA look forward to working with you and your staff on this and other concerns you have about the program.

Question:Question on Pro-Life Concerns

On March 25, in a statement by the Planned Parenthood Action Fund, the political arm of Planned Parenthood, "This bill [the CARES Act] gives the Small Business Administration (SBA) broad discretion to exclude Planned Parenthood affiliates... and deny them benefits under the new small business loan program." The statement continues with a quote from Planned Parenthood Action Fund Acting President Alexis McGill Johnson in which she says, "the Senate bill targets Planned Parenthood."

Planned Parenthood knew they were ineligible for Paycheck Protection Program (PPP) loans, and yet on May 19, news broke that their affiliates still applied for and received \$80 million, despite being ineligible.

What is the SBA doing to hold Planned Parenthood accountable for deceptively self-certifying and wrongfully receiving PPP funds?

Response:

I respectfully refer you to SBA for more information.

Question:Question on Hospitals

It is my understanding that the SBA promulgated a rule that directs emergency room physicians designated as independent contractors to apply individually for a loan, even though they are emergency room doctors who are employees of a company in my state. The company is a national medical corporation that provides critically important emergency room physician services to 27 hospitals across the country, including Louisiana. Additionally, the company recruits, contracts with, schedules shifts for, manages, provides medical malpractice insurance for as a benefit, and pays these physicians through direct deposit arrangements. This company needs the PPP loan to continue to pay its physicians.

Will you work with me to find a solution for national medical corporations that employ emergency room physicians designated as independent contractors?

Response:

Treasury and SBA look forward to working with Congress on a bipartisan basis to consider program improvements.

Question:Question on PPP Net Income/Loan Sizing

SBA rules only allow self-employed individuals to seek Paycheck Protection Program loans based off of their 2019 taxable net income as reflected on their 1040 Schedule C. As a result, many small business owners, who spent some or all of their 2019 income on capital investment and take business deductions intentionally encouraged by the law, are restricted to loan amounts that are reduced artificially by net income calculations. This is entirely at odds with the language and intent of CARES and limits the ability of the self-employed to use this critical lifeline that Congress has provided.

Will you reexamine your current implementation of this program in light of Congress' clear statutory intent to allow self-employed individuals to obtain PPP loans based on their full income?

Response:

I respectfully refer you to SBA for more information.

Question:

Question on Internal Oversight of CARES Act Programs

Administrator Carranza, in your testimony, you reference a recently created agency-wide team that will coordinate SBA's internal oversight of CARES Act programs – looking at the execution of funding, develop quality assurance processes, measure program performance, and support the deployment of appropriate resources for compliance. While it is understandable that normal procedures were set aside during these unprecedented times to get the money out the door as fast as possible, I believe we must utilize tools and technologies that are available to assess for potential fraud in these programs.

Do you agree that the government should be looking at ways to deter fraud in these programs, and can you please explain whether this will be part of what is assigned to the team you reference in your testimony?

Response:

I respectfully refer you to SBA for more information.

Question:

Question on Life Insurance

As Treasury has implemented the Paycheck Protection Program (PPP), health insurance premiums and retirement contributions have been included as eligible payroll maintenance expenses. The life insurance industry has been advocating for the inclusion of premiums for life insurance/supplemental benefits (dental and vision)/indemnity plans in future implementation or clarifying legislation. Expanding this policy is consistent with ERISA's broad definition of employee welfare plans, and it is industry's understanding that the legislative intent of CARES was to include premiums beyond health insurance as eligible expenses.

What is the Treasury and the SBA doing to address this issue for workers, employers, and the industry?

Response:

Treasury and SBA have posted guidance that provides detailed instructions on applying for loan forgiveness, including descriptions of forgivable payroll and non-payroll expenses. For example, this includes guidance that payments required for the provision of group health care benefits, including insurance premiums, include vision and dental benefits.

Question:

Questions on the Travel Industry

When it comes to expanding PPP eligibility, do you think there is a targeted approach that Congress can take to concerning nonprofits, like destination marketing organizations, to ensure that those who are struggling can access the program?

Response:

Treasury and SBA look forward to working with you and your staff to discuss these and other potential changes to ensure that the program continues to reach eligible businesses who are suffering.

Question:

Given that 83% of travel businesses are small businesses, what can your agencies and Congress do in the future to help this critical sector of the economy recover?

Some nonprofit entities are eligible to receive Economic Injury Disaster Loans (EIDL). I've heard reports that organizations that have been approved for EIDL have only received a small fraction of the relief they're entitled to under the program.

Response:

I respectfully refer you to SBA for more information on EIDL.

Question:

Why is the SBA limiting the loan amounts for approved applicants, and what can Congress do to make sure applicants receive adequate relief that they're entitled to under the program?

Response:

I respectfully refer you to SBA for more information.

Question:

Question on Remaining PPP Funds

The PPP has more than \$130 billion in funds remaining. Has SBA done any proactive outreach/advertisement to small businesses to let them know there is availability?

Response:

I respectfully refer you to SBA for more information.

Question:

Have you seen an increase in CDFI lending with the CDFI set aside that was announced?

Response:

Since enactment of the CARES Act, Treasury and SBA have worked tirelessly and closely with Congress, with borrowers, and with lenders of all sizes—including regional and community banks, CDFIs, and MDIs—to ensure the broadest possible segment of small businesses can access the PPP. Treasury and SBA extensively recruited lending institutions that typically operate in underserved communities to participate as PPP lenders. An important focus of our efforts to serve underserved communities was to harness the role of CDFIs and MDIs. As of August 8, 2020, when the PPP closed to new loan applications, 432 CDFIs and MDIs have participated from across the country, providing over 221,000 loans for more than \$16.4 billion.

Question:

I hear the new five-year loan term for PPP loans could result in lenders deciding to no longer offer PPP loans. Have you heard this as well?

Response:

Treasury and SBA were encouraged by the robust amount of lending throughout the PPP program, including following enactment of the Paycheck Protection Program Flexibility Act of 2020. As of August 8, 2020, when the PPP closed to new loan applications, over 5.2 million PPP loans had been approved for more than \$525 billion. Treasury and SBA look forward to working with you and your staff to address this and other concerns you have regarding the program implementation.

Question:

Question on Facility

As you know, CARES Act Section 4003(c)(3)(D)(i) states that Treasury, “shall endeavor to seek the implementation of a program or facility” with an interest rate not higher than 2% for companies with between 500 and 10,000 employees.

Where does Treasury stand in implementing this program? While Treasury has understandably been predisposed with implementation of other CARES programs, including the Main Street Lending Program, this separate program is important to assist these mid-sized companies during our current economic environment.

Response:

The terms of the Main Street Loan Program under CARES Act Section 4003(c)(3)(D)(ii) were adjusted based upon extensive comments from stakeholders to allow a broader range of small and medium size businesses access to the Program. These adjustments included: lowering the minimum size of loans to \$250,000; extending the maturity of the loans to 5 years, extending the amortization schedule, and providing a two-year grace period for principal payments and a one-year period for interest.

Questions from Senator Duckworth

On May 8, 2020, the SBA Inspector General released a flash report that found discrepancies between the Congressional intent of the CARES Act and its implementation. One area highlighted was the lack of guidance from SBA and Treasury to PPP lenders regarding prioritizing underserved and rural small businesses, particularly those owned and controlled by Veterans, socially and economically disadvantaged individuals and women. As you know, Treasury and SBA did not release guidance for CDFIs that were not SBA approved lenders for nearly a full month after the passage of the CARES Act. These lenders are the exact lenders that serve those markets.

Question:

Secretary Mnuchin, why did Treasury and SBA fail to quickly implement this part of the CARES Act? Could you detail why it took nearly a month for Treasury and SBA to create a process for CDFIs to become PPP lenders?

Response:

Since enactment of the CARES Act, Treasury and SBA have worked tirelessly and closely with Congress, with borrowers, and with lenders of all sizes—including regional and community banks, CDFIs, and MDIs—to ensure the broadest possible segment of small businesses can access the PPP and to encourage PPP lending to underserved and rural borrowers. In light of the urgency to launch the program, Treasury and SBA determined that the most effective way to ensure PPP loans could reach underserved communities was to make sure that we had an army of lenders participating that were positioned to reach borrowers who had had less well-established banking relationships. Before the program was even launched, Treasury and SBA implemented

rules for new lenders that were not previously SBA approved lenders—including hundreds of CDFIs—to be eligible to participate in the PPP.

Treasury and SBA extensively recruited lending institutions that typically operate in underserved communities to participate as PPP lenders. An important focus of our efforts to serve underserved communities has been to harness the role of CDFIs and MDIs. Hundreds of CDFIs were contacted and advised of their eligibility to participate in the PPP. Guidance was issued to all lenders asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. This was done to ensure that entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years, all benefited from PPP.

As of August 8, 2020, when the PPP closed to new loan applications, 432 MDIs and CDFIs had participated from across the country, providing over 221,000 loans for more than \$16.4 billion. With an average loan size of approximately \$100,000, the program is serving the smallest of businesses. PPP loans have also been broadly distributed, with about 27 percent of the funds going to low and moderate income communities, which is in proportion to their percentage of the population. The program also resulted in \$133 billion provided to businesses in HUBZones, accounting for more than 25 percent of all PPP funding.

Question:

Set-asides

Recently, SBA and Treasury announced that there were additional set-asides for CDFIs to further lend to economically disadvantaged businesses, Veterans, rural and underserved businesses.

Secretary Mnuchin, what other steps are SBA and Treasury taking to work with CDFIs to reach the smallest businesses, rural businesses and businesses owned by people of color?

Response:

As noted above, since enactment of the CARES Act, Treasury and SBA have worked tirelessly and closely with Congress, with borrowers, and with lenders of all sizes—including regional and community banks, CDFIs, and MDIs—to ensure the broadest possible segment of small businesses can access the PPP and to encourage PPP lending to underserved and rural borrowers. Treasury and SBA extensively recruited lending institutions that typically operate in underserved communities to participate as PPP lenders. An important focus of our efforts to serve underserved communities has been to harness the role of CDFIs and MDIs. For example, hundreds of CDFIs were contacted and advised of their eligibility to participate in the PPP. Treasury and SBA staff hosted tele-townhall forums with trade associations representing CDFI lenders to specifically engage with these lenders and understand how to better serve their customers in underserved communities. Guidance was also issued to all lenders, including CDFIs, asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities to expand economic opportunity. Treasury and SBA worked with

the Federal Reserve to establish the Payroll Protection Program Liquidity Facility to enable PPP lenders, including both bank and nonbank lenders as well as CDFIs and MDIs, to pledge PPP loans to the Federal Reserve as collateral for Federal Reserve borrowings to enhance lender liquidity and enable PPP lenders to expand lending capacity. The availability of this liquidity has greatly benefited nonbank and smaller PPP lenders that lend to underserved communities and that lend to the smallest businesses. And, as you note, SBA, in consultation with Treasury, set aside \$10 billion of Round 2 funding to be lent exclusively by CDFIs to further ensure that the PPP reaches all communities in need of relief during the COVID-19 pandemic. As of August 8, 2020, when the PPP closed to new loan applications, 308 CDFIs had participated from across the country, providing over 114,000 loans for more than \$7.5 billion.

Question:

Program extension

Although certain States are beginning to allow businesses to re-open, certain industries, such as the foodservice distribution and restaurant, live event venue and travel industries will continue to see a decline in sales until stores can be fully and safely re-opened. This means that these industries will likely need additional financial assistance to stay in business.

Secretary Mnuchin, would you support extending the Paycheck Protection Program from June 30, 2020 to December 31, 2020, to help such industries stay in business?

Response:

On July 4, 2020, the President signed an amendment to the CARES Act to extend SBA's authority to guarantee PPP loans through August 8, 2020. Treasury and SBA look forward to working with Congress in a bipartisan manner to most effectively help small businesses address the economic challenges of COVID-19.

Questions from Senator Rosen

Many of our nation's small to medium-sized 501(c)(3) non-profits have implemented organization-wide employee pay cuts and furloughs and in some cases have had to lay off their workers to survive these difficult times. Our nonprofit communities are often on the frontlines helping our neighbors and providing invaluable benefits to our communities. Unfortunately, 501(c)(3) non-profits with more than 500 employees have faced significant challenges receiving funding, and are currently not covered by the Paycheck Protection Program.

Question:

The Federal Reserve and Treasury recently announced that it would allow nonprofits eligible for funding under the Main Street Lending Program. Are you considering some type of loan forgiveness for these loans similar to PPP?

Response:

Loan forgiveness is not permitted in the Main Street Program under CARES Act section 4003(d)(3).

Question:

The Paycheck Protection Program still has more than \$100 billion in funding available. Are you currently working with SBA to either lifting the employee cap for nonprofits making those with more than 500 employees eligible for PPP funding?

Response:

Treasury and SBA look forward to working with you and your staff to consider additional changes to the program.

Question:

Have you consulted with SBA on considering creating a North American Industry Classification System (NAICS) code specifically for non-profits with a higher employee cap?

Response:

Treasury and SBA look forward to working with you and your staff to consider additional changes to the program in accordance with the intent of Congress.

Question:

Tourism

Certain sectors of the economy have been harder hit than others during the COVID-19 pandemic, and they will need more of our focus as we begin to re-open. And minority-owned small businesses are often more likely to be in industries most at risk from the crisis—retail, restaurants, and lodging. These industries play a vital role in Nevada’s tourism economy.

What plans does Treasury have in order to support minority-owned small businesses in the tourism and hospitality sectors as we start to re-open businesses?

Response:

In terms of PPP, Treasury and SBA have worked closely with Congress, regional and community banks, fintech lenders, CDFIs, MDIs, the Department of Agriculture, and other stakeholders to ensure that as many workers and small businesses as possible benefited from critical PPP funds.

Treasury’s CDFI Fund administers funding programs to CDFIs and other mission driven lenders that provide access to capital and credit in underserved communities, which includes entrepreneurs and small businesses. Treasury will continue to administer funds as authorized and appropriated by Congress.

In addition, the CDFI Fund and Treasury's Office of Community and Economic Development consistently monitor and review policies to support small businesses access to capital.

Question:

Demographic data

Demographic data about CARES Act relief programs is an incredibly important measure of how funding is being distributed among our business community, and can be instructive for making any necessary changes if funding is not reaching a particular group, such as underbanked and underserved minority communities, women, veterans, and rural business owners. I understand that demographic information has been incorporated as part of the loan forgiveness forms for PPP on a voluntary basis.

What is Treasury doing to encourage banks to request demographic information from small business owners?

Response:

Treasury and SBA are committed to implementing the CARES Act with transparency and accountability. Information regarding approved PPP loans and program participation is provided on our websites, including data to help inform your and the public's understanding of borrower participation, such as the number and dollar amount of loans, number of loans by amount, distribution by lender size and type, list of top lenders, average loan size, and loan distribution across industries and states. The most recent data released includes extensive loan-level information, as well as summary information on available demographic data, including information about PPP loans to low and moderate income census tracts, HUBZones, and rural counties, as well as loans made by CDFIs and MDIs. The PPP Loan Forgiveness Application 3508, Form 3508S, and Form 3508EZ all request voluntary disclosure of veteran status, gender, race, and ethnicity from loan recipients.

Question:

State-by-state

It is my understanding that some of our smaller lenders in Nevada, including community banks and credit unions, provided PPP loans to many of our minority small business owners. However, we currently do not have a breakdown of lenders that provided PPP loans by state and the number of loans and amounts that those lenders provided in each state.

Could you please provide my staff with that state-by-state lender breakdown before the program expires?

Response:

As noted above, Treasury and SBA are also committed to implementing the CARES Act with transparency and accountability. Information regarding approved PPP loans and program

participation is provided on our websites, including data to help inform your and the public's understanding of borrower participation, such as the number and dollar amount of loans, number of loans by amount, distribution by lender size and type, list of top lenders, average loan size, and loan distribution across industries and states. The most recent data released includes extensive loan-level information by state (including approved lenders), as well as summary information on available demographic data, including information about PPP loans to low and moderate income census tracts, HUBZones, and rural counties, as well as loans made by CDFIs and MDIs. As of August 8, 2020, more than 45,000 PPP loans were made to borrowers in Nevada for over \$4.2 billion.

Question:

Nevada

Nevada – along with 10 other states and the District of Columbia – have legalized the recreational use of marijuana, which has resulted in thousands of good paying jobs. In the first full year of sales in Nevada, businesses sold nearly \$425 million recreational marijuana products, resulting in \$70 million in tax revenue for the state. The cannabis industry currently supports more than 240,000 workers in the United States, spanning 33 states and the District of Columbia. Unfortunately, just like other small businesses in different industries, some of these good-paying jobs have already been lost due to the coronavirus pandemic, and even reopening, these small businesses face challenges. Lost tax revenue from decreased sales is also a problem for states like Nevada that are already struggling with revenue shortfalls during the pandemic to pay teachers, first responders, and others on the frontlines of this crisis.

The SBA currently does not provide any access to capital to cannabis small businesses or indirect cannabis small businesses. However, given these unprecedented times and widespread pandemic affecting all industries, including the cannabis industry, is Treasury currently considering drafting guidance to allow state-legal cannabis small businesses and indirect cannabis businesses to access PPP funding?

Response:

I respectfully refer you to SBA for more information.

Question:

SBA and Treasury opened up PPP to gaming small businesses – a departure from SBA's longstanding policies. As you know, Congress' intent in the CARES Act was to help all small businesses. Would this policy aim not also apply to legal cannabis small businesses in the State of Nevada?

Response:

I respectfully refer you to SBA for more information.



Statement for the Record
Submitted to the
Senate Committee on Small Business and Entrepreneurship
“Implementation of Title I of the CARES Act”
Wednesday, June 10, 2020
On behalf of
Susan K. Neely
President and CEO
The American Council of Life Insurers

On behalf of the membership of the American Council of Life Insurers (ACLI), I thank you for the opportunity to submit for the record our view regarding the Paycheck Protection Program. In response to the coronavirus crisis, the Senate moved quickly and aptly to protect the income of millions of Americans. ACLI thanks the Senate for its work.

As you know, the Paycheck Protection Program is intended to provide economic relief for workers who find themselves unemployed or furloughed as a result of COVID-19. It is important that this economic relief include all forms of insurance coverage that had been provided by the employer. These insurance products are vitally important to the financial security of working Americans and their families. They include disability income insurance, supplemental benefits (indemnity products that provide direct payments to consumers to help with the financial impact of serious accidents and illnesses beyond medical treatment costs and dental and vision insurance), and life insurance products.

Life insurance safeguards families, helping them take care of children, keep homes, and pay for college when a parent is lost. Supplemental benefits fill gaps and cover dental and vision when health plans do not. Long-term care and disability income insurance is a saving grace when work is no longer possible. In fact, 90 million American families count on life insurers’ products for protection, long-term savings, and a guarantee of lifetime income when it is time to retire. During the COVID-19 pandemic, the value of these products has been reaffirmed.

The goal of the Paycheck Protection Program is to provide as much relief and stability as possible during this period of constrained economic activity. Maintaining access to financial protection products like disability income insurance, supplemental benefits, and life insurance coverage provides certainty for families and workers across the country.

These protections should remain uninterrupted for the employee in the same way the payroll should not be interrupted, according to legislative intent. Federal law under ERISA supports the entire suite of

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

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employee benefits being treated as benefits. This established law is well represented by the work of your Committee on Small Business and Entrepreneurship.

We hope that today's hearing provides clarity about these important employee protections being included within the PPP covered payroll costs. This request by ACLI is consistent with the leadership of Senators Susan Collins and Tim Scott. Clarification by this committee would provide unambiguous guidance to employers as they apply for and receive PPP funding for their employees. Clarification will facilitate and expedite financial security to the workers who need it most.

Amid the current pandemic, social distancing, and paid leave, one thing is certain – workers need financial protection more than ever. Our industry will continue to be there to help them while they are away from work, and we urge you to clarify that this economic relief includes all forms of insurance that were offered previously by the employer. Thank you so much for your consideration of this important matter.



June 10, 2020

Paycheck Protection Program: The Need for Simplified Forgiveness

Chairman Rubio, Ranking Member Cardin, members of the Senate Committee on Small Business and Entrepreneurship, the Independent Community Bankers of America, representing community banks across the nation with more than 52,000 locations, appreciates the opportunity to provide this statement for the record for today's hearing, "Implementation of Title I of the CARES Act." We are grateful to you for creating the Paycheck Protection Program (PPP) and for your ongoing efforts to ensure its ultimate success. The Program has rapidly and effectively deployed critical funding to small businesses. At this time, a simplified forgiveness process is urgently needed to ensure the Program does not become a quagmire of red tape for lenders and borrowers, distracting them from the hard work of restoring economic and employment growth.

Community Banks and the PPP

Community bankers nationwide went all-in in making the program work, processing a flood of applications in a short time for new customers and old. They recognized the program as the best hope for preserving the economic life of their communities. Community banks were uniquely positioned to make the program work, drawing on established relationships and bonds of trust to help borrowers navigate the application process. They were ready and eager to help borrowers who had been turned away from other institutions. To date, community banks have issued 65 percent of PPP loans.

New Flexibility is Welcome, but the Program Remains too Complex

It remains to be seen whether the program will ultimately reach its potential for sustaining communities. The Paycheck Protection Program Flexibility Act (H.R. 7010), which the President signed into law last Friday, has created welcome program flexibility. The new law replaces the rigid requirement that 75 percent of loan proceeds be spent on payroll as a condition of loan forgiveness with a 60 percent payroll spend requirement. ICBA continues to advocate for a 50/50 split, but 60/40 is a significant improvement. Further, the new law extends the timeframe in which PPP funds must be spent as a condition of forgiveness from 8 weeks to 24 weeks. The 8-week timeframe was simply unrealistic and unworkable. Many non-essential businesses are just now reopening and have not had the opportunity to spend their PPP funds.

Forgiveness Must Be Simplified

While H.R. 7010 has made the Program more flexible, it does nothing to address the Program's prohibitive complexity when it comes to obtaining loan forgiveness. Until forgiveness is simplified, the Program will not be what Congress intended it to be: essentially a grant program to sustain employment through government-imposed business disruption.



Borrowers should not have to hire accountants at exorbitant fees to assist with loan forgiveness. Borrowers whose first language is not English should not be forced to struggle with complex forms and procedures. We urge your consideration of several recommendations for simplifying PPP loan forgiveness:

- **Ease of Application with EZ-Form.** Treasury and the Small Business Administration (SBA) should promptly provide a straightforward, easy-to-apply approach to loan forgiveness. The 11-page application released by Treasury on May 15 is overly complex and detailed. We urge creation of a much shorter and simpler form akin to the IRS Form 1040EZ.
- **Loan Forgiveness Calculator.** We continue to urge Treasury and SBA to provide an online loan forgiveness calculator that would allow the borrower and lender to easily determine the forgiven amount. The certainty provided by a short form and calculator would allow borrowers to focus on bringing their businesses back to viability and protecting employees and customers. The last thing they need in this challenging environment is the distraction of complex calculations.
- **Presumption of Forgiveness Compliance for Loans of \$1 Million or Less.** Congress intended the PPP to be essentially a grant program to help small businesses retain workers. For all loans with an original balance of \$1 million or less, ICBA recommends a presumption of compliance based on the borrower's certification that the funds were used in accordance with the terms of the program. A disproportionately high number of applications were submitted to the SBA by community banks. Detailed review of each loan is simply not practical for borrowers or lenders. A presumption of compliance for these borrowers will allow business owners to focus on their businesses and the safety of their employees and customers. A threshold of \$1 million for presumed compliance would be consistent with Secretary Mnuchin's intention to focus audit resources of loans in excess of \$2 million. A presumption of compliance is consistent with vigorous pursuit of fraud by lenders, Treasury, and SBA.
- **SBA Should Buy Residual PPP Loans at Par.** After the forgiveness amount has been determined, the SBA should purchase remaining PPP loans at par from originating institutions. **This would create greater bank balance sheet capacity to spur additional lending.** The high volume of PPP lending done by community banks to meet the urgent demands of the crisis is absorbing their balance sheets. As we enter the recovery, banks need ample balance sheet capacity to support small businesses in their markets. SBA purchase of PPP loans at par would address this need.
- **Preserve Tax Deduction for Business Expenses.** ICBA believes it was the intention of Congress to allow PPP borrowers who obtain forgiveness to continue to deduct payroll and other ordinary business expenses. Denying this deduction effectively reduces the value of forgiven amounts and undermines the true potential of the Program. We urge your support for the Small Business Expense Protection Act (S. 3612/H.R. 6821), introduced in the Senate by Senator John Cornyn and in the House by Representative George Holding, which would preserve this important deduction.



We urge this committee's support for the provisions outlined above.

Closing

Thank you again for convening today's hearing. We appreciate this committee's commitment to the ultimate success of the PPP. We look forward to continuing to work with you to follow through on the critical choices that must be made to successfully implement a complex and ambitious program.



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National Association of Federally-Insured Credit Unions

June 9, 2020

The Honorable Marco Rubio
Chairman
Committee on Small Business &
Entrepreneurship
United States Senate
Washington, D.C. 20510

The Honorable Ben Cardin
Ranking Member
Committee on Small Business &
Entrepreneurship
United States Senate
Washington, D.C. 20510

Re: Hearing on the Implementation of Title I of the CARES Act

Dear Chairman Rubio and Ranking Member Cardin:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) ahead of tomorrow's hearing on the implementation of Title I of the CARES Act. As you are aware, credit unions are working on the front lines with their members during these times of economic uncertainty. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products.

The bipartisan efforts in Title I of the CARES Act, including the creation of the Paycheck Protection Program (PPP), have helped countless small businesses survive the lockdowns required by the current pandemic. The PPP in particular has been very successful and an important tool that credit unions have used to help their small business members, and we thank you for including credit unions as lenders in this program. Still, even with the success of the PPP, there remain some issues that we believe need to be addressed. The recent changes made in H.R. 7010, the *Paycheck Protection Program Flexibility Act of 2020*, will help address a number of concerns, and we appreciate the timely action on this legislation. While the Small Business Administration (SBA) has taken steps to address the implementation of this legislation, some uncertainties remain. Specifically, NAFCU has asked the SBA to clarify whether the lowered requirement that 60 percent of a borrower's loan proceeds be used for payroll costs applies to all loans whose forgiveness applications have not yet been approved or only loans approved after June 5, 2020. Moreover, the SBA's guidance should cover whether borrowers who have already applied for forgiveness may reapply given this amendment. This clarification is critical for those borrowers who obtained a PPP loan on April 3, 2020 when the program began and have already applied for loan forgiveness upon the expiration of the previous eight-week covered period. We hope that the Committee will seek to get clarification on these issues tomorrow.

We also believe that there are provisions in S. 3833, the *Paycheck Protection Program Extension Act*, that should ultimately be enacted as well, such as the clarifications to the lender hold harmless provision. This change will provide important protections for credit unions and other community institutions who are working hard to assist small businesses with PPP loans. We believe this provision will increase the confidence of lenders under this program.

The Honorable Marco Rubio, The Honorable Ben Cardin
June 9, 2020
Page 2 of 2

Additionally, as you examine the PPP at the hearing tomorrow, NAFCU encourages you to urge the SBA to simplify the loan forgiveness process for smaller PPP loans. The complexity of the forgiveness rules and application is posing challenges for many small businesses who may not have the staff or expertise for such a complex application, especially with the current economic challenges. NAFCU members report making PPP loans in amounts much lower than the national average of both rounds of funding. As such, NAFCU is supportive of automatic loan forgiveness for PPP loans under a \$150,000 threshold. Loans under \$150,000 account for 85 percent of PPP recipients but only account for 26 percent of the funds disbursed by the SBA. This level would cover the majority of credit union loans, the vast majority of which have been to smaller businesses that could most benefit from this automatic forgiveness. A smaller PPP loan is less likely to pose a high risk of fraud so the benefits to small businesses and lenders of providing this automatic forgiveness significantly outweigh the potential risks. Moreover, automatic forgiveness frees up human capital at a time when credit unions and small businesses may be short-staffed due to ramifications of COVID-19.

Understandably, the forgiveness application is one mechanism to uncover fraudulent activity; however, there are others and the SBA retains the right to review a borrower's loan documents for six years after the date the loan is forgiven or repaid in full. NAFCU would urge Congress and the SBA to improve the forgiveness process by considering automatic loan forgiveness for loans below a \$150,000 threshold.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on pandemic relief and economic recovery. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at 703-842-2263 or lplush@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Small Business & Entrepreneurship