

OVERSIGHT OF THE SMALL BUSINESS  
ADMINISTRATION AND DEPARTMENT OF  
TREASURY PANDEMIC PROGRAMS

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HEARING  
BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
UNITED STATES  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED SIXTEENTH CONGRESS  
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## OVERSIGHT OF THE SMALL BUSINESS ADMINISTRATION AND DEPARTMENT OF TREASURY PANDEMIC PROGRAMS

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FRIDAY, JULY 17, 2020

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,

*Washington, DC.*

The committee met, pursuant to call, at 10:31 a.m., Room 2118 and via Cisco WebEx, Rayburn House Office Building. Hon. Nydia Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Finkenauer, Golden, Kim, Crow, Davids, Chu, Mfume, Evans, Schneider, Espaillat, Delgado, Craig, Chabot, Balderson, Hern, Hagedorn, Stauber, Burchett, Joyce, and Bishop.

Chairwoman VELÁZQUEZ. Good morning. I call this hearing to order. Without objection, the Chair is authorized to declare a recess at any time.

I want to thank everyone, especially our witnesses, for joining us today for our committee's hybrid hearing. I want to make sure to note some important requirements.

Let me begin by saying that standing House and committee rules and practice will continue to apply during hybrid proceedings. House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Remember to remain muted until you are recognized to minimize background noise.

In accordance with the rules established under H.R. 965, staff have been advised to mute participants only in the event there is an advertent background noise.

I urge Members and staff to wear masks while in the hearing room, and I thank you in advance for your commitment to a safe environment for all here today.

Secretary Minuchin, Administrator Carranza, welcome to the Small Business Committee, and thank you for being here today.

Let me start by saying I want to give a sincere thank you to all the staff at both of your agencies who have worked tirelessly over the last few months responding to this crisis. I am deeply appreciative of all the work which helps support millions of American jobs in a moment of unprecedented uncertainty. These are extraordinary circumstances, and I would like to paint a picture for you of the magnitude of the devastation that small businesses are going through right now.

Back in March, it became clear that COVID-19 will tear through our communities leaving almost no sector of our economy unscathed. The heat on small businesses was in many cases deeper than their larger counterparts.

I have been on phone calls with small business owners in my district who have been mainstays in the community for decades, who have lived through 9/11 and the Great Recession and are now holding back tears telling me that if we do not do more to fix the Payroll Protection Program (PPP) and find long-term solutions, that they cannot imagine their business, the source of income for themselves and their employees, to survive the COVID-19 pandemic. In fact, about 110,000 small businesses have already closed their doors permanently, and an estimated 7.5 million additional firms are at risk for the same fate.

On top of all that, they turn on the news and see headlines like “Trump friends and family cleared for millions in small business bailout” and “SBA exempted lawmakers, federal officials from ethics rules in \$660 billion loan program.”

Let me tell you, that is a gut punch to the small businesses that this program was intended to serve, the ones that did not have the top-notch financial connections to quickly get a PPP loan. While we are grateful to SBA for providing data that I have been calling for since the start of PPP, it is no secret that there have been errors that are cause for concern. I am troubled by the Bloomberg News Report that at least 226,000 loans were likely misreported by congressional districts, making it even harder for us to understand how businesses in our district fared in the program.

Meanwhile, a report from the New York City controller suggests that PPP loans were made in greater frequency in states that were less hit by COVID-19 than in epicenters like New York City.

As we all know, the pandemic has been especially unforgiving for our communities of color. Minorities have bore the brunt of the health consequences of this terrible virus. We cannot let their businesses also disproportionately bear the economic consequences.

According to a survey, a mere 12 percent of Black and Latino business owners who applied for PPP loans reported receiving what they asked for, and nearly half anticipated being forced to close permanently in the near future. We do not even know how Asian and Native American business owners fared because demographic data was not asked to be voluntarily provided. That is why collecting demographic data on these loans was imperative. I will continue to press to set aside more resources for minority and women-owned businesses, and I hope that we will commit to do more for these businesses in what are sure to be tough months ahead.

I am sure you both can understand many in our country are frightened. They are angry and they are hurting. We are here today to bring transparency and accountability to ensure that America knows they have a government that works as well for them as it does for the well-connected corporations and friends of this administration.

As lockdown orders started in March, storefronts were shuttered, and waves of layoffs were taking place. In response, Congress provided relief to reeling business owners and their employees.

First, Congress established the Paycheck Protection Program to provide forgivable loans to businesses and nonprofits for mainly covering payroll.

Second, to help small businesses that needed financing beyond PPP, Congress enhanced SBA's EIDL program to get more flexible working capital to more businesses faster. Knowing that small businesses operate on razor-thin margins, Congress created the EIDL Grant Program to get cash into the hands of small businesses quickly to bridge the gap until their loans are dispersed. Despite the flaws in their implementation, these programs have been a lifeline for millions of entrepreneurs and job creators, injecting over \$670 billion into the economy.

To address concerns and make the programs work better, our committee held numerous hearings and forums with small businesses, lenders, and leading policy experts over the past few months. One of the top issues we heard from PPP stakeholders is the incomplete and everchanging guidance. Borrowers testified that they have very little guidance regarding how to spend their loans so they could qualify for full forgiveness. Lenders are still reporting the process for seeking forgiveness is unclear and unworkable.

If forgiveness is the centerpiece of the program, a streamline efficient process for getting those loans forgiven should be a priority. Turning briefly to EIDL, the lack of clear communication has been an ongoing issue. Given the urgency of this pandemic and the uncertainty for so many small businesses, SBA must do a better job communicating. As the spread of COVID-19 has accelerated in recent weeks and lockdown orders return, it will be extremely important that we take lessons learned since March to stave off unnecessary bankruptcies and make sure these programs are working for America's small firms. We also need to explore other ways SBA can support our small business sector, like turning to tried and true program enhancements that work after the Great Recession.

Once again, thank you for being here today. I know yield to Ranking Member Chabot for his opening statement.

Mr. CHABOT. Thank you, Madam Chair. And I want to thank Administrator Carranza, as well as Secretary Mnuchin, for being with us here today and taking time out of your very busy schedule. So thank you so much for being here, both of you.

While we all agree we must be forward-looking as we continue to respond to the COVID-19 pandemic, the topic of today's discussion is equally important. We must continue to work together to ensure the Federal government's relief efforts face sound and prudent oversight. These programs were developed to assist the Nation's smallest firms. Instances where ineligible businesses and entities, including political organizations who benefitted from the programs must be examined closely.

Take, for example, the over \$300,000 taxpayer-backed loans that were received by the Ohio Democratic Party in May, and Madam Chair, for the record, I would oppose such a bailout for the Republican Party as well, but it happened to be the Democratic Party in Ohio that took advantage of this. And I do not think it was ever intended for that type of thing to happen.

Additionally, oversight of how well the billions of dollars allocated to assist small businesses was utilized is imperative. That

will help us to formulate a future strategy and to make well-informed decisions that benefit the greatest number of Americans.

I happen to represent most of the City of Cincinnati. For the past few months I visited with countless small businesses, and obviously, many of their employees as well. And I and my staff have spoken with representatives from the Cincinnati African American Chamber of Commerce and the Urban League. And some of our smallest businesses, particularly those in minority and economically disadvantaged communities, oftentimes the smallest businesses, and typically under 10 employees, when this started, and many of them still do not, they did not have the strongest relationship with banks or credit unions when they were seeking these loans. So I think that it is something, and I know as this has evolved and the Chair has been instrumental in that effort as well and we have worked with her and her staff on that, but we have to make sure that those folks in these economically disadvantaged areas have access to this. Because as I say, oftentimes the relationship they have had with the banking institutions, financial institutions just is not there. So it makes it even tougher for them.

Now, it is impossible to legislate from Washington for every single situation across the country. Likewise, it is impossible to regulate from Washington for every scenario that may come up. All of the folks in this room recognize this and have been reminded since March of that structural impossibility. Congress acted quickly earlier this spring. Speed was paramount in getting funds into the hands of small business owners to keep them afloat when they were forced to shut down through no fault of their own. Consolidating 6 months of legislative work in a little more than 6 days, the Coronavirus Aid Relief and Economic Security (CARES) Act was passed with overwhelming bipartisan support, Republicans and Democrats working together, and it was signed into law by President Trump on March 27th. This more than \$2 trillion economic relief package delivered on our commitment to do everything possible to protect the American people from the public health and economic impacts of COVID-19.

The CARES Act created the Paycheck Protection Program. Following passage of this landmark legislation, the SBA and the Department of the Treasury worked tirelessly to execute the law and issue regulations to inform borrowers and lenders alike how the program would be administered. To the credit of everyone involved, the first loans flowed from private lenders 7 days, just 1 week later on April 3rd. Since that date, the PPP program has distributed nearly 5 million loans to small firms in the amount of over half a trillion dollars. In my district and the surrounding area alone, small businesses utilized the program to preserve nearly a half a million jobs.

These successes cannot be ignored, and Ohio is not alone. This program provided small businesses and their workers a lifeline across the entire Nation. Were there bumps in the road? Of course. As I stated earlier, it is very difficult to get a program this size up and running in a week. Have there been communication issues between the Federal government and the lenders and the borrowers? Undoubtedly.



But that is one of the reasons why we are here today. We must examine and learn from the past and prepare for the future. Unfortunately, there are still challenges that are presenting obstacles for the Nation's smallest firms. Because we continue to face this threat, we must be forward-thinking. More needs to be done, and we have proven that when we work together across the aisle, across the capital, and across the different ends of Pennsylvania Avenue, we can move mountains.

We are not done yet, and I look forward to engaging with you, Madam Administrator, and you, Mr. Secretary, as well as you, Madam Chair, as we continue to work for American small businesses. I want to thank you both for being here, and again, thank the Chair for holding this hearing today. And I yield back.

Chairwoman VELAZQUEZ. Thank you, Mr. Chabot.

I would like to take a moment to explain how this hearing will proceed. Each witness will have 5 minutes to provide a statement, and each committee Member will have 5 minutes for questions. Please ensure that your microphone is on when you begin speaking and that you return to mute when finished.

With that I would like to introduce our witnesses.

Our first witness today is The Honorable Jovita Carranza, Administrator of the SBA. Administrator Carranza has an inspiring background. Born in Illinois to an immigrant family from Mexico, she began her career at UPS as a part-time employee, ultimately climbing the corporate ranks to become President of Latin America and Caribbean operations. In 2006, President Bush named her Deputy Administrator for the Small Business Administration, and most recently was the Treasurer of the United States. Welcome back to our committee, Administrator Carranza.

Our second witness is The Honorable Steven Mnuchin, the Secretary of the U.S. Department of Treasury. Mr. Mnuchin had a successful career as a banker at Goldman Sachs for multiple decades before leaving to join other hedge funds throughout the 2000s. He was appointed Treasury Secretary by President Trump where he has served for the last 3 years. Welcome to the House Small Business Committee, and thank you for joining us today, Mr. Mnuchin.

Administrator Carranza, you are recognized for 5 minutes.

**STATEMENTS OF THE HONORABLE JOVITA CARRANZA, ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION; THE HONORABLE STEVEN MNUCHIN, SECRETARY, U.S. DEPARTMENT OF TREASURY**

**STATEMENT OF JOVITA CARRANZA**

Ms. CARRANZA. Thank you, Chairwoman. Thank you.

Chairwoman VELAZQUEZ. The mic is not on.

Ms. CARRANZA. It says green and talk.

Chairwoman VELAZQUEZ. Okay. Maybe bring it closer to you.

Ms. CARRANZA. Can you hear me now?

Chairwoman VELAZQUEZ. Okay, now. Right.

Ms. CARRANZA. Thank you, Chairwoman Velázquez, Ranking Member Chabot, and members of the Committee for the invitation to testify this morning. I am eager to update you on the progress

that has been made by the agency in helping small business weather the coronavirus pandemic.

Since March, the SBA has processed more loan volume than it has in the entire 67-year history of the agency. As of this morning, the PPP has approved nearly 5 million loans for over \$518 billion in much-needed fiscal relief to America's small businesses.

We administered this first of its kind program with an eye towards equity, recognizing that this pandemic has been particularly harmful to socially and economically disadvantaged businesses.

We mobilized thousands of new lenders, including community banks, credit unions, FinTech companies, farm credit lenders, and hundreds of CDFIs and MDIs that specialize in providing liquidity to underrepresented communities.

Through economic injury disaster loans and EIDL advances, the agency has reached over 8 million small businesses, disbursing nearly \$170 billion in assistance. That amount is more than all other disasters combined in the history of the agency. EIDL loans are currently being processed in just 5 days with disbursements occurring in just 2 days. These programs help the small business sector survive "once in a lifetime" disruption.

Since early June, I have made a concerted effort to personally speak to businesses left reeling by this pandemic and to financial institutions so that I can see for myself what is working and where improvements need to be made.

One of the scores of business I visited was an African American logistics management firm in Dallas. SBA loans provided him with a bridge, a financial bridge over the most tumultuous waters he has ever experienced. It helped him not only keep his employees on the payroll, but also hire new workers who received comprehensive skills training and professional certifications.

Many small business owners use that term "bridge" to describe how SBA loans provided them with time and the space needed to rethink, innovate, and to adapt their business models for success in this new environment. One African American manufacturer in Greensboro, North Carolina, told me that an SBA loan helped her develop brand new lines of revenue online. SBA loans helped a whiskey distiller in Travis City, Michigan, transition his manufacturing operation to hand sanitizer to meet both a social need and financial gaps.

This pandemic has been an impetus for innovation in the small business sector. But Chairwoman, it also has accelerated modernization at the SBA. For example, we have created an internal oversight plan for each CARES Act program, and we have looked long term at our management responsibilities for millions of businesses and disaster loans.

The agency has brought on thousands of staff to support our COVID disaster operations while simultaneously servicing 175 natural disaster declarations.

We have significantly corrected the customer service experience for EIDL applicants by accelerating processing of our loan queue, helping them to better plan. Our dedicated SBA professionals have been working hard to achieve this largely on telework status and as a result we are more nimble, more responsive, and better prepared for tomorrow.

Before I conclude, I want to say a few words about the PPP data disclosure made earlier this month. The data reflects information about loans approved by lenders and entered into the SBA loan system by those lenders.

It does not mean that SBA has determined that a borrower has complied with program rules or is eligible to receive a loan and forgiveness.

We are reviewing all loans. Moreover, we have provided the opportunity for business or lenders who believe that their reported information is inaccurate, to contact us, and we will work with them to fix it.

At the same time, we should not lose sight of the fact that this unprecedented program has emerged as one of the most successful and consequential Federal economic response efforts in history. That success is the result of a collaborative effort that includes the White House, Treasury, SBA, the lending community, chambers of commerce, and importantly, each, and every one of you.

I know that there is more work to be done and we all share the same goal of helping small businesses across the country. I look forward to working with this Committee and other members of Congress. Thank you.

Chairwoman VELÁZQUEZ. Thank you, Administrator Carranza. Secretary Mnuchin, you are now recognized for 5 minutes.

#### **STATEMENT OF STEVEN MNUCHIN**

Secretary MNUCHIN. Thank you very much.

Chairwoman Velázquez, Ranking Member Chabot, and members of the Committee, I am pleased to join you today to discuss how the Department of the Treasury and the SBA are working together to provide relief to businesses and their workers through the PPP. We remain committed to working together until every American gets back to work as quickly as possible.

America's economy continues to recover from the challenges posed by COVID-19. For the second month in a row, the jobs report vastly exceeded forecasts, with a record of nearly 5 million jobs. This brings the 2-month gain to approximately 8 million jobs. While the unemployment rate is still historically high, we are seeing additional signs and conditions of improvement. The Blue Chip Report is forecasting that our GDP will grow by 18 percent in the third quarter. The U.S. Chamber of Commerce reports that 79 percent of small businesses are at least partially open, and half of the remaining businesses will open soon. Retail sales rose by 18 percent in May, and by 7.5 percent in June.

But let me point out, June was actually 1.1 percent higher than June 2019. This is a result of all of our programs and working with Congress.

Investors and businesses have historically high cash positions and are beginning to put them back to work. We are in a strong position to recover because the Trump Administration worked with Congress to pass legislation on an overwhelmingly bipartisan basis and provide liquidity to workers and markets in record time. In particular, the PPP is keeping tens of millions of employees in their jobs. Economic impact payments are also helping millions of families. We are monitoring economic conditions closely. Certain indus-

tries, such as construction, are recovering quickly, while retail and travel are facing longer-term prospects. We are sensitive to the fact that certain areas of the country are experiencing increased numbers of cases. The Task Force, working with state and local officials, is helping to ensure that people can work safely in this environment. We look forward to continued conversations with this Committee and other members of Congress to address these critical issues.

Turning to the PPP, the SBA and Treasury worked together to launch this in unprecedented time. We approved over 5 million loans for \$517 billion to support the employment of over 50 million jobs. This is truly an extraordinary achievement, and we are pleased that the 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 consistent with the proportion of the percentage of the population.

As you might expect with a program of this magnitude, executed on a national scale rapidly, we initially experienced some complications. We resolved them quickly. To implement the program, our teams worked with members of Congress on a bipartisan basis to issue rules and guidance to provide clarity. By standing up the program quickly, we were able to support tens of millions of jobs.

We have worked closely with members of Congress in both parties to pass three subsequent pieces of critical legislation. We also reached a second round of funding for over \$300 billion. I look forward to these continued bipartisan efforts. A next phase of relief should extend the PPP, but on a more targeted basis for smaller companies and those that are especially hard hit, such as restaurants, hotels, and other travel and hospitality businesses.

The Treasury Department is implementing the CARES Act with transparency and accountability. We have released a significant amount of information on our website reporting on

USAspending.gov, and providing updates to Congress. We are co-operating with various oversight bodies.

Regarding the PPP, Treasury and SBA regularly released data. On programs, the Treasury and IRS have made data and information regarding millions of economic impact payments available on their websites and to the GAO. We are pleased that the Treasury, working with the Federal Reserve, has announced to add to existing disclosure on the liquidity facilities by posting additional information on the website.

Chairman Powell and I have had very productive discussions with the members of the Congressional Oversight Commission. In addition to the PPP, we had 160 million payments for the economic impact payments. We have made massive amounts to support air carriers. We have had \$150 billion to the Coronavirus Relief Fund. The Federal Reserve Facility is up and running. I am pleased to announce that Main Street made its first loan for \$12.3 million to doctors' offices consisting of 15 practices in Wisconsin. The lender was Starion Bank, a family-owned \$1.2 billion community bank. There is a \$50 million construction loan which will save over 3,000 jobs in the working.

I look forward to working with Congress next week on a bipartisan basis to pass additional legislation.

I would like to thank the members of this Committee for working with us to help the American people, and I look forward to answering your questions.

Chairwoman VELÁZQUEZ. Thank you, Mr. Secretary.

I will begin by recognizing myself for 5 minutes.

Secretary Mnuchin, ethics rules were waived administratively in the PPP, allowing friends of the Trump Administration to get access without any further review. Meanwhile, there are thousands of small businesses, many owned by women or minorities and located in rural areas that were desperately seeking assistance. Were you concerned about those optics?

Secretary MNUCHIN. Well, let me just say as it relates to certain loans as the administrator said, there will clearly be loans that are reviewed for appropriateness. But let me just comment on the conflict of interest rules.

I had very specific discussions with Senator Schumer and McConnell on the conflicts rules, and it relates to the direct loans from Treasury and the loans from the Federal Reserve. There were very specific requirements and certifications that were required for members of Congress and the administration.

As it relates to the SBA program, Congress could have included those same requirements but decided not to do so, and indeed, the SBA followed their standard provisions for the SBA. The SBA Standards Conduct Commission determined that the PPP loans should be governed by similar disaster programs and explicitly, and again, this was a Committee that did not consist of political people, explicitly decided to provide the same waivers that they have done for other programs. So again, we look forward to working with Oversight Committees to make sure that proper rules and regulations were followed.

Chairwoman VELÁZQUEZ. Well, I welcome that, and we intend to exert our responsibility and our constitutional duty to be at the table. I am the first minority female chairing a committee, and when we are discussing lending programs that are within the jurisdiction of this committee, I will demand for the Ranking Member and myself to be at the table. I insisted that ethics rules should not be waived. These are lending programs. If it is good for the 7(a) and 504 and FDIC, it should be good for this type of lending and I will insist on that when we sit down to discuss going forward.

I understand EIDLs were capped at \$150,000 in an effort to stretch the funding. However, I ask you, Administrator, the appropriators asked you, and the Senate asked you on numerous occasions if you needed additional funding, and the answer was not. Yet here we are. It is our small businesses that are suffering. Moving forward, you must work with us and I ask that you remove the cap for new EIDL loans immediately and allow those with existing loans to obtain the capital they deserve. You still have \$200 billion of loan-making authority left in the EIDL program while small businesses are hurting. Help us help you because Members of this committee and businesses who came to testify before this committee, they said that they might remain open but will not be able to keep those businesses open because when they were thinking that they were applying for the maximum allowable loans, then

you reduced it to \$150,000. We need to do better than that. This is not going away and too many businesses are suffering.

Mr. Mnuchin, the pandemic has cost the rate of Black-owned businesses to drop by an astonishing 41 percent and the rate for Latino-owned businesses by 32 percent. These numbers are unacceptable and are only going to get worse unless we act now and meet reports. Should we not set aside a percentage of the remaining funds for small businesses that need it most? I just heard you saying that you are going to ask for hotels, restaurants, the traveling industry. What about minority businesses?

Secretary MNUCHIN. I agree with you. There should be a set-aside for small minority businesses.

Chairwoman VELAZQUEZ. Thank you. Thank you.

Can I count on your support that we could set aside funding for mission-based lenders? Because, you know, we are discussing here the smaller of the small businesses who have no connection, who have no preexisting banking relationships with those financial institutions. Those who have relationships are mission-based, like CDFI, like MDI, like microlenders, and I hope that we could going forward work with you on that issue.

My time has expired, and now I recognize Ranking Member Steve Chabot.

Mr. CHABOT. Administrator Carranza, I will go to you first.

Given the overwhelming response to this emergency, is the SBA prepared to respond to other disasters such as floods and hurricanes and fires? We know they are coming at some point. Are you all prepared for that?

Ms. CARRANZA. Yes, Mr. Chabot. At this point we have about three type of disaster declarations that are being submitted by the governors. It is either economic disruption based on civil unrest or it is natural disaster, and then, of course, the March declaration of economic disaster. So, we are processing all three as we speak.

Mr. CHABOT. Very good. Thank you.

Secretary Mnuchin, I will move to you next.

Does the loan forgiveness process need to be simplified any more? For example, I know there are some members of Congress that have suggested perhaps even forgiving all the loans under \$150,000, for example. I am not saying we should or should not do that, but I would love to hear your kind of thoughts about it. I have heard a lot of concerns from folks out there about how complicated the forgiveness process can be. If you could talk a little about that.

Secretary MNUCHIN. We look forward to working with this Committee and the Senate Small Business Committee to simplify the process. There were provisions in the existing act that made it complicated. We tried to issue as much guidance as we could. I know one of the things that we will talk about is should we just have forgiveness for all the small loans? I think that is something we should consider. We should obviously make sure there is some fraud protection. But we look forward to working with this Committee and others.

Mr. CHABOT. Thank you.

As you know, at this point there is approximately \$130 billion that is still in the PPP program. So everyone is talking about, so what do we do with that? You know, do we reduce the number of

employees eligible from say 500 down to 100? Or do we stick with what we have? Do we do a second PPP? And I know these are negotiations that everyone is having now, including the Administration, the House, the Senate, this Committee and others. What are your current thoughts about that?

Secretary MNUCHIN. The administration supports using the existing money and topping it up with some additional money and that will be discussed and allowing for a second payment to the businesses that are especially hard hit. And Chairwoman, let me just say, I was only giving examples of businesses. I did not mean to in any way imply that those are the only businesses that are hard hit. I think this time we need to have a revenue test and make sure that money is going to businesses that have significant revenue declines. That is something that Congress did not have in the first provision, but make sure that the businesses that are especially hard hit, particularly small businesses, and put in certain safeguards so some of the types of people we saw that took out loans, and I look forward to working with Congress. If Congress wants to put back in the conflict rules, we are more than happy to work with Congress. The Administration supports, we will participate on the same basis of the House and the Senate.

Mr. CHABOT. Secretary Mnuchin, also one of the things that you all were operating under impossible time constraints. You know, we passed this. I was at the signing ceremony on a Friday. The next week the loans were literally going out the door, although not that many, and it was not glitch-free. We all know that. But you all got your act together pretty quickly and saved a whole lot of businesses all across the country. And God bless you all for doing that. And this Committee was involved in it and many others as well.

I know one of the things that was frustrating, and again, I do not want to be critical here, but it was frustrating. I heard this from lenders. I heard this from small business folks. I heard it from our staff. Was just the time it took to get the guidance out, so people knew what the rules were, what we were all operating under. Do you have any thoughts for the future as to what we might be able to do with respect to that?

Secretary MNUCHIN. Sure. Let me say in one of the more ridiculous statements I have ever made, I committed we get the program up in 2 weeks. And working with the SBA and the staffs, we were able to do that. Now, obviously, in doing that it ran into a lot of issues, but we made the judgment it was more important to get it up and running quickly, that sending money to people 4 months later was not going to help small businesses. Now that we have it up and running, especially to the extent there are minor changes to the PPP and the EIDL programs, working with the SBA, we can get the guidance out very quickly. We will not have the technology issues we had last time. And again, I would encourage this Committee to work in the context of these programs and put more restraints.

The other thing I think you should consider on the EIDL is now that we have Main Street open for loans above \$250,000, that we really do focus EIDL on loans that are \$250,000 and below.

Mr. CHABOT. Thank you very much. My time has expired, Madam Chair.

Chairwoman VELÁZQUEZ. The gentleman's time has expired.

Now we recognize the gentlelady from Iowa, Ms. Finkenaue, for 5 minutes.

Ms. FINKENAUER. Thank you, Madam Chair. I appreciate you holding this hearing.

So just for Secretary Mnuchin and Secretary Carranza, for you guys to understand, the district that I represent is in Northeast Iowa. It has three bigger city centers and the rest is pretty rural. And our district has been hit very hard on a number of levels, whether it has been the attacks on our agricultural community over the last few years or now this pandemic and how it has affected not just our cities but also our rural areas as well. And one of the things I want to touch on, Secretary Mnuchin, I know you brought this up, but I really want to dive into this, are those economic impact payments. Those direct assistance payments that are important for individuals who are worried about how are they going to pay their mortgage, their rent, put food on the table, but also for our local businesses as well who have been able to stay open to have some sort of economic stimulus here during this pandemic.

And one of the things that I was really concerned about is when these went out to folks, obviously, if they had a direct deposit set up those went into their accounts, most of them. However, we heard from 700 people within my district about these payments who did not receive them or they received them but they were in the debit cards and did not realize that they were these economic impact payments. And so why was this set up the way that it was? Why was there no real communication out to these districts, out to folks who need it, to understand how these were coming out? And then also, I know we wrote you a letter, actually, Secretary Mnuchin, about the fees and reissuing these cards because so many folks were throwing them away. I am glad you listened and decided to waive that \$7.50 charge for replacing, but why does it cost \$17 to priority ship these cards to folks? Why do taxpayers who need their money now have to wait longer and it cost the more? This is just something again that needs to be dealt with, and I am glad you fixed a piece of it, but what are we going to do down the road when hopefully we issue more support to folks and actually have that education, and why was this done in the first place?

Secretary MNUCHIN. Well, thank you for your comments. And let me just say, the fact that there were 700 of those in your community is inexcusable. And if you have specific issues, we are happy to follow up.

I would say the IRS and Fiscal Services did an extraordinary job in sending out over 150 million payments, again, in a record period of time. The debit cards you did point out something; we did not realize that the debit cards were sent in unmarked envelopes. We will correct that going forward. I do think the debit cards actually was an interesting addition for two reasons. One, it allowed us to get payments out quicker since we could only create so many checks. And two, going forward, debit cards—



Ms. FINKENAUER. I am sorry. I am sorry, Secretary Mnuchin, how long did we have to wait to put those out because the President decided to have his name on those checks or on the paperwork that went out with those? How long—

Secretary MNUCHIN. I can assure you there was zero delay associated with either one of those issues. It had no impact on the timing. We were limited in the number of checks we could print per week but that had no impact on it.

And I think the fees were waived. If the fees were not waived and you have constituents that still have issues, again, I am happy to follow up on that.

Ms. FINKENAUER. Yeah. The fee of \$7.50 to replace was waived, but then there is the \$17 that it cost for the priority shipping of the cards.

Secretary MNUCHIN. You let me know and we will follow up. That should be waived as well.

Ms. FINKENAUER. Thank you.

And then I also have a question about the PPP program. Obviously, this has been incredibly important all over the country and in districts like mine, but I have to be honest; I was really disappointed at the beginning when this rolled out. I mean, we allocate these dollars, and then they go to these agencies. So they go to SBA, they go to Treasury to set up how these are doled out. And communities like mine, quite frankly, were left behind because we have the highest concentration of community-based financial institutions in the entire country within my district. And so the first batch essentially went to big banks and people who were connected with their banks and left out communities like mine. Did either of you think about how this would impact our folks who lend with community-based financial institutions? Why was this done the way that it was at the very beginning? I know we have that set aside now for those dollars, but how can we ensure that as we continue to look at this, that we are doing what we should here with these agencies to make sure we do not forget about rural areas.

I mean, on the SBA, I understand as well that we lost the head of Rural Affairs. Actually, she got moved. I know we are, you know, short on staffing to deal with this but it is not the time to move somebody that represents rural areas and then—

Chairwoman VELAZQUEZ. Time has expired.

If you wish to answer the question, sir.

Secretary MNUCHIN. I can assure you we are very focused in making sure that the community banks and the CDFIs have equal access. And you are correct. Unfortunately, there were issues in the beginning. We corrected it very quickly.

Chairwoman VELAZQUEZ. Thank you.

The gentleman from Ohio, Mr. Balderson, is recognized for 5 minutes.

Mr. BALDERSON. Thank you, Madam Chair. Thank you both for being here today.

My first question is for the administrator. Thank you again for being here today, administrator. I greatly appreciate your leadership through this pandemic. I would also like to convey to you that your local office in my district, Columbus, Ohio, SBA, has been a phenomenal partner and resource for me. We have been doing a

Back to Business tour for the last 3 weeks. Everett Woodel from your office has been with me along the way and his team, and we are very grateful to see the business owners that encounter the SBA while we are there and to put a face with the name is very pleasing for them as well. So thank you.

An issue that I have heard more and more from my constituents is the lack of clarity on PPP forgiveness. Specifically, I hear this often from business owners looking to have their businesses bought out. This could be because of the pandemic or a planned sale prior to COVID-19 that has been placed on hold because of the virus.

In this situation, the business owner took PPP in order to support their employees and now they cannot sell their business with this forgivable loan on the books. Why is this?

Ms. CARRANZA. Thank you, Congressman.

This is a situation that I would have to speak with you personally or address the particular case because this is news to me about them taking a PPP and then wanting to sell. It is not a new incident where small businesses that are ready to sell because they do not care to go through another pandemic or another crisis. They are in a position and interested in selling their company but the PPP or the EIDL loan issue was not raised when we had those discussions. But I have experience similar to you that there are businesses that are ready to sell. But I would have to look into it, and I will confer with the Treasury, on how to manage that situation and the forgiveness. We have not addressed that at this point, an entity wanting to sell their firm and they have a loan.

Mr. BALDERSON. We will work with you on that.

Ms. CARRANZA. Yes.

Mr. BALDERSON. And the business, for example, that I have been in communication with, they were doing an exchange in January before the pandemic hit. So most of them that I have been in contact with have been having this issue before the pandemic even started. So we will work with your office and address that. Thank you very much.

Ms. CARRANZA. Look forward to it.

Mr. BALDERSON. Mr. Mnuchin, thank you. My next question is for you.

I have introduced legislation with my colleague from across the aisle, Congresswoman Brenda Lawrence, that would provide a tax credit for small businesses to purchase and install PPE and related safety equipment. This legislation would help small businesses that are suffering financially under the weight of mandatory closures, be able to afford the personal protective equipment required to reopen their doors. Are you open to working with myself and Ms. Lawrence to ensure small businesses are safely prepared to welcome customers again?

Secretary MNUCHIN. Yes, absolutely. And I am not familiar with this specific legislation, but I like the concept a lot.

Mr. BALDERSON. I appreciate it. It is up to \$25,000 tax credit, so thank you. I look forward to that.

Administrator, back to you. If a business owner decides to use personal finances, monies that is not associated with their business to pay off their PPP loan in order to move forward with the sale

of the business, they just have to eat this as a loss? And again, that may be something that you and I may need to sit and discuss.

Ms. CARRANZA. Yes. I agree. I need to understand all the nuances to that particular situation.

Mr. BALDERSON. Understand.

Ms. CARRANZA. And perhaps there are other businesses that may be facing the same thing that we need to look into.

Mr. BALDERSON. Thank you very much.

Ms. CARRANZA. You are welcome.

Mr. BALDERSON. Mr. Secretary, my last question is for you. I greatly appreciate your leadership. It has been fascinating to watch you.

As we look towards the next aid package, much of the focus seems to be on providing aid to schools, hospitals, and first responders. I support these efforts but also believe we must continue consideration of America's economic engine, small business and I know that Madam Chair and Ranking Member Chabot have both talked about this. What types of considerations for small businesses and workforce development efforts are also being considered?

I did not leave you much time, Mr. Secretary.

Secretary MNUCHIN. Various items, but again, I think that is something that should be considered, and we look forward to working with you.

Mr. BALDERSON. Thank you, sir.

Madam Chair, I yield back my remaining time.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Maine, Mr. Golden, for 5 minutes.

Mr. GOLDEN. Thank you, Madam Chair.

Secretary Mnuchin, I have a question that I would like to raise with you, but first I just want to point out, as you were talking in your opening statement about extending the PPP program but perhaps trying to target the assistance to businesses that need that help the most, as well as maybe learning from some of the lessons along the way. As we work on the PPP program together, I want to encourage you to look at the Restart Act introduced in the Senate by Senators Bennett and Young, and here in the House by myself. This bill builds upon the PPP program. It models itself after that, but I think importantly, it has some provisions in there that would target the aid to businesses that can demonstrate that they have, in fact, suffered revenue losses over the past several months related to coronavirus and the economic impact.

I do not know if you are familiar with the Restart Act, but I would encourage you to give it a look as you are looking to improve upon whatever it is that we do next to assist businesses here in the United States as we shift into a recovery phase.

Secretary MNUCHIN. I am familiar with it, and I think parts of it should be incorporated.

Mr. GOLDEN. Thank you for that. And I look forward to working with you and with the senators and House members on something similar to PPP and the program proposed in Restart.

I wanted to raise an issue with you on behalf of critical access care hospitals, including some in my district. Are you familiar with critical access hospitals?

Secretary MNUCHIN. A little bit.

Mr. GOLDEN. You know, federally defined as providing important healthcare access in rural areas, in rural communities. These are hospitals that are going to operate under very thin margins and struggle financially, but it is important the Federal government recognizes how important they are to access to care. In addition to access to health care, they are often the largest employers in a rural region and therefore are just critically important.

Your department has I think rightly looked at organizations applying for PPP who are forgoing, you know, undergoing bankruptcy as ineligible. I understand why you would do that under normal circumstances but there are a number of critical care hospitals in the Nation who are undergoing chapter 11 restructurings. And given the fact that we are dealing with a pandemic and a recession and that these hospitals have a very unique, Federally-recognized mission, and are providing important access to health care in areas where it is going to be hard even in good times to be making money. These are really like nonprofit hospital organizations.

I was wondering if you would consider reconsidering eligibility for critical care hospitals undergoing chapter 11 restructurings for the remaining PPP funding that you have. To date they have been excluded and you can imagine during this pandemic and the recession, the fact that they could not do certain types of services that they normally would be doing, they are really struggling and several of them are at risk of closing which would be a terrible loss for these communities.

Secretary MNUCHIN. I am very sympathetic to those types of hospitals and we look forward to working with you and considering that.

Mr. GOLDEN. Well, I appreciate that very much. As you know, the Treasury and SBA have been able to make some changes in the program for eligibility for organizations to include some nonprofit hospitals that are tax exempt under Section 115 and hospitals owned by state or local government as well as others. But I think, you know, those jobs are obviously very important in rural communities, but even more important is ensuring the access to CARES is preserved. And they have been applying for PPP. They were rejected. In some instances, some of these hospitals have gone to courts who essentially have said that the determinations made by the Treasury and SBA would have to be changed or Congress would have to act. So I do not know if you think that you need some kind of legislative action or if you think that you have the authority you do to look at this and make that change yourself. But I want to thank you for working with both my office but also Senator King and Senator Collins from Maine, and I am sure other senators who represent similar hospitals in similar situations are eager to work with you to try and help these hospitals.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

Now we recognize the gentleman from Oklahoma, Mr. Hern.

Mr. HERN. Thank you, Madam Chair, Ranking Member Chabot.

Mr. Secretary, Administrator, thank you both for being here in person for this. This is unprecedented times.

Mr. Secretary, our office has dealt with many people who have waited weeks and weeks for their unemployment checks to get approved at the state level. Hundreds of thousands across the country I am sure.

As you may remember, we discussed this on a phone call over 4 months ago where we noted that under the current capacity, states were ill-equipped to handle the influx of unemployment applications. To combat this problem and to keep hardworking Americans employed, Congress worked in a bipartisan way, unprecedented actually in today's times, to establish the Paycheck Protection Program. And while I believe this program could have been expanded and more could have been done to help the 40 million Americans who are currently unemployed, this program has successfully saved 51 million jobs in America, which was designed so that when we come out of this pandemic that we can quickly stand up the economy which is what we have been seeing happen in May and June and continue to see that happen now.

You have stated many times that the priority of the PPP was to predominantly preserve and save jobs and employees rather than the business owners themselves. Would you still agree with that statement?

Secretary MNUCHIN. Yes.

Mr. HERN. Additionally, could you discuss what you have learned from this or strategies that the Federal government can implement in the future to better prepared for this next situation or the situation in the future?

Secretary MNUCHIN. Well, let me just comment on one of the things that we liked about the PPP was all the money we were spending on the employment side of this was money we saved on unemployment. I think one of the issues we have learned and we have to fix in the next legislation is the technical issue wherein certain cases states with the top up were paying people more not to work than to work. And as you said, some of the states were better prepared; some of the states have 40-year-old computers.

I also want to just say one thing. I know a lot of people use this 40 million people unemployed. Fortunately, it is not 40 million unemployed. People thought we would get to that, but fortunately, right now we only have 18 million unemployed, and we have about 14 million more than where we started this. And we have got to get those people back to work. But thank you.

Mr. HERN. Thank you.

Further, my casework team has worked with hundreds of people who have had difficulties receiving their stimulus check. And I know you are aware of this. We have talked to your offices. Can you briefly explain, very briefly, what we have seen happen and why? Is there a big issue here or are all these one-offs?

Secretary MNUCHIN. I mean, let me just say, all these one-offs, I am sympathetic because these are real people who want their checks. So I do not mean to in any way minimize this. But again, we sent out over 150 million checks in record time and yes, there were certain cases, because they were either done off of previous

tax returns or other information that we got and that is unacceptable, but we will work with you on it.

Mr. HERN. Thank you.

Administrator Carranza, 2 weeks ago, Associate Administrator Rivera testified before the Committee regarding the EIDL program. And during my conversation with the administrator, he committed to providing this Committee with a document outlining some best practices by the end of the third quarter, September 30, 2020. This will be a document to explain what the SBA has learned and how you all believe you could be prepared in the future should another pandemic arise.

Just as a side note in that, the administrator stated he had been here since 9/11. He had been through 9/11, the financial crisis, and you know, we keep reinventing the wheel. And it seems with all of us engaged in this in a very bipartisan way that we could put a pandemic playbook in place so that we could learn from our mistakes and not repeat them again. Because when we make mistakes, people are harmed. Or at least not given stimulus when they need it. So if we could learn from those mistakes and do better that would be great. And I think that would be a way to do it, in a non-political way that we could put these on the shelf.

One of the key components to this document will be to design a communication plan for future pandemics which would greatly help all of us work together.

Would you commit to seeing that get done by the end of the third quarter?

Ms. CARRANZA. Yes, Congressman. We have already begun. We have prepared the first deck on how we are addressing fraud. We have also staffed up. I started with two additional executives, SESs, in ODA, so we are going to reinforce the leadership in ODA for future situations and in preparation for the end of the year.

So, definitely, you will have a full SOP on lessons learned.

Mr. HERN. And as businesspeople, and many are in this room. I have been in business 35 years. You know, we can talk about what happened but that does not really solve a problem. So if we can indel in a document what those issues were so that we can not make those again, we will make new ones, and that is human nature. But if we can get that done that would be great for us. Madam Chair, Ranking Member, I think you for allowing us to have this meeting, and it is very important. And thank both of you for being here, for what you have done in these unprecedented times.

Ms. CARRANZA. I look forward to continuing to work with you. Thank you.

Mr. HERN. Thanks.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

Now we recognize the gentleman from New Jersey, Mr. Kim, for 5 minutes.

Mr. KIM. Thank you, Chairwoman, for convening this hearing. Thank you to the witnesses for showing up.

Secretary Mnuchin, I wanted to start with you. You rightfully noted in your testimony that small businesses are continuing in the face, a dire circumstance right now. Even those that have received Paycheck Protection Program loans are telling me that they are un-

sure whether or not they are going to be able to survive. And there are a lot of concerns about just the bigger state of our economy and whether or not our economy is going to be able to pursue through these coming months, and if not, is that going to have a negative impact on our small businesses?

In my home state in New Jersey, we have gone through a really tough time over the last couple of months and we face a tough challenge up ahead when it comes to our state economy. It has been crippled. We have dramatically hampered our recovery, especially for small businesses. And these are not just about COVID-related expenses. It is about loss of revenue that could very well create widespread layoffs, decrease consumer spending, weaken our investment in our communities.

Secretary, I wanted to ask you if you would commit to working with Congress to ensure that we have the necessary funding to our states and local municipalities to solve the crisis that we face and create a strong economic recovery.

Secretary MNUCHIN. Well, I think as you know, we allocated significant amounts of money to COVID-related expenses. We have tried to issue guidance to be very clear that money can be used for law enforcement, first responders, and others. I think the issue of lost revenues is a much more complicated issue and the issue of taxing authorities between the state and the Federal government. But we will be working with Congress on this.

Mr. KIM. I raise this because, you know, I have heard you talk about before what could potentially come next with state and local funding on this. And I think it is really important and central to this discussion that we are going to be having over the coming weeks about this. When I have heard you talk about it before you have purposefully described this money as bailouts for some states. And so I just wanted to hear from you a little bit more on that front. I believe that for you, perhaps you do not want to see this funding going to states that you characterize as mismanaging funds be fair, that it would not be fair to other states that are working hard on their economy and their budget, so why have them cover for other states? Is that sort of a correct interpretation of your assessment?

Secretary MNUCHIN. What I have said and I agree with this, if there were financial conditions that states had coming into this, it is not the Federal government's role to bail them out of that. Now, we have through Main Street—excuse me, through the Fed facilities, we have provided lending facilities to the states and municipalities. But the issue of taxing authority, the Federal government has taxing authority and the states have taxing authority. So where there are lost revenues, I think there is a fairness issue of how those get allocated across the country.

Mr. KIM. Well, I agree with you that there is a fairness issue here at stake. And in New Jersey, our state only gets back somewhere around 75 cents to 81 cents for every dollar that we put into the Federal government. It is one of the lowest in the Nation. Other states get back well over \$1. Some \$2. Kentucky gets back about \$2.35 last I saw. So I guess I would ask you, is that fair? Is that fair to the residents of New Jersey?

Secretary MNUCHIN. Let me just say, I have lived in New York and California, and both New York and California cite those numbers as well. I do not believe that that is an appropriate number because the answer is more rich people live in those states. And because of the way we have taxes and the rich people are the ones who pay the preponderance of Federal taxes. I do not believe the calculation as a result is the right way to look at things.

Mr. KIM. Okay, well, that is helpful for me to understand how you are approaching this problem, and I want to continue to work with you on that because from my standpoint, if New Jersey is often calculating that we give in to the Federal government about \$20 billion more than what we get back every year, I think there is an issue of fairness here. And I really do not want us in the middle of a pandemic to get to a situation where we are trying to pit states against each other. We saw that with personal protective equipment, and now with funding, I think there is a chance for us to really come together here and try to think about this, especially when we know that current and former Fed chairs all have said and reportedly warned that economic recovery could be hampered if we do not appropriate more aid to state and localities.

Just switching gears here at the very end, Administrator Carranza, I understand that the Economic Injury Disaster Loans were capped at \$150,000 to ensure all borrowers could access the funds. However, this policy shortchanged many businesses. So I wanted to ask you, moving forward, will you commit to removing this cap for new EIDLs and to allow the existing loans to obtain more funding in phrase two?

Ms. CARRANZA. Congressman, what our experience is currently is that the average loan has dropped from 63,000 to 57,000 down to about 43,000 since we have opened in June—July, excuse me. And so, at this point, the operating expense that people apply for are not hitting the cap in great numbers. About 1 percent of the applicants are pursuing that amount. Eighty percent of the loans that we have processed come in significantly under the \$150,000. But I will continue assessing it. We are reviewing that on a daily basis, Congressman, so I look forward to working with your office.

Mr. KIM. Thank you.

Chairwoman VELAZQUEZ. Would you yield?

Mr. KIM. I will.

Ms. CARRANZA. Thank you.

Chairwoman VELAZQUEZ. We are out of time. I expect for you to lift that cap, especially when there are other states that are facing the pandemic now. You cannot predict if any business from those states will need more than \$150,000, so the fact that now, from those other states you are not getting those type of applications or that type of amount does not mean that that will apply to every order. Businesses should have the opportunity to be able to apply for over \$150,000 if that is what they need.

Ms. CARRANZA. Congresswoman, at this time, since we opened the portal, we have an additional 5 million applications. We have probably about 15 to 20 days remaining with the remaining funds. So, if I keep that level of \$150,000, I will be able to serve 5 more million small businesses.



Chairwoman VELÁZQUEZ. Sure. From the beginning, appropriators, myself included, Senator Cardin and some other senators asked you if you needed more than what we included in the bill and you said yes. Come to us. Tell us when we ask if that is enough.

Ms. CARRANZA. Yes. I will work with your office.

Chairwoman VELÁZQUEZ. Thank you.

Now we recognize the gentleman from Minnesota—who is——

Mr. STAUBER. Thank you.

Chairwoman VELÁZQUEZ.—Mr. Stauber.

Mr. STAUBER. Thank you, Chair Velázquez——

Chairwoman VELÁZQUEZ. Yes, Mr. Stauber.

Mr. STAUBER.—and Ranking Member Chabot. I also want to thank the two witnesses for being here today.

So, Secretary Carranza, this kind of follows what the Chairwoman just talked about. I would first like to share with you some concerns that I have heard from my constituents. And it seems that the SBA has taken some liberties to reduce the cap of loans given out from the 2 million to 150,000. While this is likely to ensure the maximum number of businesses receive some sort of funding during this crisis, my constituents are rightfully upset. They feel that they are being cheated out of what they were promised by their government.

I heard from your colleague Mr. Rivera on this issue a couple of weeks ago. But I wanted to give you the opportunity to respond today.

Ms. CARRANZA. Yes, Congressman. I also receive emails where their calculation on operating expenses may have not reached the 150,000, and we have taken those under special reconsideration and looked at ways where we could increase that amount.

Secondly, to exceed the 150,000 at this given time would be premature because we have 5 million applications currently. As I stated to the chairwoman, if there are needs for funds, then we will bring that up for discussion.

What we do with the applicants that need more funds is we counsel them that there is the PPP program, that is a forgiveness loan and we provide technical assistance. We don't influence nor do we recommend. We just share that there is also another option that they can consider.

We don't take lightly the fact that businesses need funds. It is an emergency lifeline that we initially thought it was going to—this pandemic was going to be 2 weeks and now it is a couple of months. And so, we recognize the fact that they need greater funds.

Mr. STAUBER. Thank you——

Ms. CARRANZA. You are welcome.

Mr. STAUBER.—Madam Secretary. You know, as I have said before, the SBA and the Treasury were given a nearly impossible task. And while there have been some bumps in the road, we appreciate the work that you, Secretary Carranza and Secretary Mnuchin, and your respective teams, have put into helping the small businesses across this Nation during this pandemic.

My last question will go to Secretary Mnuchin. You know, shifting gears a little bit, I have been hearing from local grocery stores and convenient stores of the coin shortage. What are your thoughts

for addressing this issue and have you considered some type of public messaging or political PR campaign to help jump-start the coin circulation across the Nation? Secretary Mnuchin.

Secretary MNUCHIN. Thank you. We are working very closely with the Mint and the Federal Reserve on the coin shortage, and the Mint is working overtime. As you said, as a result of COVID, a lot of the coinage is stuck, but we will—we are working on a public messaging and we will get updates to your office.

Mr. STAUBER. Thank you, Mr. Secretary. I would say this Committee would be happy to help you in that public relations campaign.

And with that, Madam Chair, I yield back. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back. Now we recognize the gentleman from Colorado, Mr. Crow.

Mr. CROW. Thank you, Madam Chair. And thank you, Administrator Carranza and Secretary Mnuchin, for joining us today.

Administrator Carranza, on July 6th, the SBA sent to Congress a list of the loans distributed by congressional district. And they sent to my office a list showing 317 small businesses within my district received loans over 150,000, and over 3,600 received loans less than that. I knew that wasn't right given the number of small businesses in my district, so we conducted our own analysis and determined that there were actually over 1,400 businesses in my district that received loans over 150,000 and over 10,000 that received them under 150,000. So, that data was way off. What are you doing to fix it?

Ms. CARRANZA. I would like to visit with you and address those particular statistics. It would be premature to comment on these particular data points that I am not familiar with at this point, so I look forward to working with you.

Mr. CROW. So, you will commit to work with me and every other Member of Congress to—

Ms. CARRANZA. Absolutely.

Mr. CROW.—make sure that data is correct?

Ms. CARRANZA. The entire Committee, yes.

Mr. CROW. Okay. And, Secretary Carranza, I was very pleased to hear from—I am sorry, Administrator Carranza, I was very pleased to hear from Secretary Mnuchin that he would commit to work with us to look at how to get that 100 billion-plus PPP money that is still available to members of the Black and Brown community and to women-owned businesses and others especially hard-hit. Do you share that commitment and will you commit now to work with us to develop a program to give money to those businesses?

Ms. CARRANZA. Yes, I do. We have been working in concert with Treasury. We have worked together on the CDFIs, the credit unions, the savings and loans, the fintech organizations. Many of the community banks are the ones that are very specialized in providing funds to these particular underserved communities, so we are working in tandem. Definitely I agree with—

Mr. CROW. Thank you.

Ms. CARRANZA.—Secretary Mnuchin.

Mr. CROW. I appreciate that.

Ms. CARRANZA. Thank you.

Mr. CROW. I appreciate that commitment, Administrator.

Secretary Mnuchin, to you. You have had a long career in investment banking and banking, correct?

Secretary MNUCHIN. I haven't been in investment banking in close to 18 years, but I have been in banking.

Mr. CROW. In banking. And when you were in banking you advised your banks on where to send money and to whom to give loans and funds to, correct?

Secretary MNUCHIN. No, I didn't. I had a regional-based bank. I didn't advise where to give money. I served on a loan committee, but we gave—

Mr. CROW. Your banks would make decisions, though—

Secretary MNUCHIN.—across the board in the community.

Mr. CROW.—where to send money, whom to give loans to, correct?

Secretary MNUCHIN. I am sorry, I couldn't hear you. Could you repeat that, please?

Mr. CROW. Your banks would make decisions to where to send money and to give loans to, correct?

Secretary MNUCHIN. Well, customers—again, customers applied for loans and the bank made credit decisions.

Chairwoman VELAZQUEZ. Mr. Crow, we cannot hear you.

Mr. CROW.—closure requirements as to whether or not an employee of that bank, a family member of you or one of your employees, or a close business relationship was one of the recipients of that money, correct? There are disclosure requirements in the financial industry?

Secretary MNUCHIN. There are disclosure requirements. There are also requirements by the FDIC and the OCC that we would follow.

Mr. CROW. And what are the purpose, in 20 seconds, what are the purpose of those disclosure requirements?

Secretary MNUCHIN. Well, the real focus is the conflict of interest. And to the extent there is a conflict of interest, in many cases it has to go to the board of directors to be approved. So, it is more focused on conflict of interest than disclosure.

Mr. CROW. But you need to have that disclosure in order to do that analysis, correct?

Secretary MNUCHIN. Again, most banks do not publicly disclose—

Mr. CROW. No, Secretary Mnuchin, you have to have the disclosure of that information in order to do the analysis on conflicts of interest, correct?

Secretary MNUCHIN. Disclosure within the bank, yes, that is correct.

Mr. CROW. Okay. So, by that same rationale, is it important that members of the Trump family, associates of the Trump organization, or employees of the administration disclose their interest in entities that are receiving PPP money so you can conduct that conflict of interest analysis?

Secretary MNUCHIN. Again, let me repeat, and I repeated this before, as it relates to—

Mr. CROW. No, Secretary Mnuchin, I asked you a very specific question. Do you believe that disclosure is necessary in the context of the administration?

Secretary MNUCHIN. Again, I don't believe that because, again, this was not an issue that was required by Congress. This was a very specific issue and there were no restrictions.

Now, I am not aware if they took loans or they didn't. But let me be clear, there was no restrictions on the PPP. There were restrictions for the administration and Congress, same terms, on the other official——

Mr. CROW. Well, I won't take it——

Secretary MNUCHIN. And I believe——

Mr. CROW.—as a no then.

Secretary MNUCHIN.—the Trump administration——

Mr. CROW. It is don't believe——

Secretary MNUCHIN.—should be held to the same standard as Congress on the PPP. So, there——

Mr. CROW. But they should not be held to the same standards that your banks and financial industry was held to during your career?

Secretary MNUCHIN. Again, I think you are misrepresenting my comments on, again, conflict of interest versus disclosure.

Mr. CROW. I think I was very clear. My time is out. I yield back, Chairwoman. Thank you.

Chairwoman VELÁZQUEZ. The gentleman's time has expired, so how we recognize the gentleman from Tennessee, Mr. Burchett. Is he here?

Mr. BURCHETT. Yes, ma'am. Yes, ma'am. Can you hear me——

Chairwoman VELÁZQUEZ. Yes.

Mr. BURCHETT.—Chairlady?

Chairwoman VELÁZQUEZ. Yes, I can hear you.

Mr. BURCHETT. Thank you. I am sure my melodious voice carries well over the internet. Hey, let us see, thank you all for letting me be here, Chairlady and Ranking Member.

Administrator Carranza, and I might have missed this earlier, I have had some technical difficulties, having trouble hearing what people are saying, so if I have done this, you just give me the brief answer, that would be great. As of last Friday, the SBA still does not have a portal of a process for accepting loan forgiveness applications. Why is this? And what can we do to speed this portal and process up?

Ms. CARRANZA. The forgiveness portal or the application or guidance will be out very shortly. We are resolving some of the language between Treasury and SBA, but it is going to be available very, very soon.

Mr. BURCHETT. When do you think that would be? I know government very soon is like a glacier and I am in Tennessee and people——

Ms. CARRANZA. Well, I haven't been allowed that luxury lately, not under this pandemic. So, you can trust that we will work it as expeditiously as we can. We are trying to make it right the first time and address all the issues that have been raised by not only the lenders, but the borrowers, as well.

So, if I can tell you within a——

Mr. BURCHETT. Okay.

Ms. CARRANZA. If I can tell you by August, that will be a target date.

Mr. BURCHETT. Of 2020?

Ms. CARRANZA. Yes, sir. Yes, sir.

Mr. BURCHETT. Okay. Yes, ma'am. I had to get that clear since we are——

Ms. CARRANZA. Yeah, thank you.

Mr. BURCHETT. Yes, ma'am. Secretary Mnuchin, in your opinion, how should we in Congress utilize the remaining 103 billion in the PPP funding?

Secretary MNUCHIN. My suggestion is that Congress would reauthorize the program to allow for a second check, a second payment to the businesses that are most hard-hit.

Mr. BURCHETT. And which would those be, in your opinion?

Secretary MNUCHIN. I think we should use a revenue test. So, as opposed to I don't think any specific industry should be targeted. I think that——

Mr. BURCHETT. Okay.

Secretary MNUCHIN.—we should use a revenue test and something significant.

Mr. BURCHETT. I caught part of that earlier, but it cut out.

Also, Secretary Mnuchin, do you believe the Nation's smallest businesses, those with 10 or less, received the assistance they needed to survive this emergency?

Secretary MNUCHIN. Many of them did. I am sure there were some that fell through the cracks, but we are very proud of the majority of the loans went to very small businesses.

Mr. BURCHETT. Okay. And, Ms. Carranza, what measures are in place in the SBA to reduce the waste and fraud and abuse in the EIDL and the PPP?

Ms. CARRANZA. We have developed an infrastructure that is overseen by our CFO and we have contracted a vendor, as well, so that we can have institutional knowledge as it relates to experience in the lending sector. So, we have a very comprehensive approach to oversight not only for the PPP, with the EIDL, but ongoing audits of the CARES Act implementation at SBA in total.

Mr. BURCHETT. Okay. Do we have a flowchart or something that we could have just to talk to—when we talk to our folks and our local media about that——

Ms. CARRANZA. Yes.

Mr. BURCHETT.—when we get inquiries?

Ms. CARRANZA. Yes, I have no hesitation reviewing what our deck looks like or strategy appears with the Committee. I look forward to review that.

Mr. BURCHETT. Yes, ma'am. If you could——

Ms. CARRANZA. Not a problem.

Mr. BURCHETT. If you could get that to the Committee, I would be very grateful.

Ms. CARRANZA. Will do, this year.

Mr. BURCHETT. Yes, ma'am. This year, yes, ma'am, by August. Noting that August is my birthday month, so that would be great.

Ms. CARRANZA. Okay.

Mr. BURCHETT. Okay. Thank you, Chairlady. It is always good to see you—

Ms. CARRANZA. You are welcome.

Mr. BURCHETT.—even on the camera.

Ms. CARRANZA. Likewise. Thank you.

Chairwoman VELAZQUEZ. Thank you.

Mr. BURCHETT. Yes, ma'am. And I yield the rest of my time.

Chairwoman VELAZQUEZ. The gentleman yields back. Now we recognize the gentlelady from Kansas, Ms. Davis.

Ms. DAVIDS. Good afternoon, everyone. Thank you, Chairwoman Velázquez and Ranking Member Chabot, for holding this very important hearing today.

Secretary Mnuchin and Administrator Carranza, I appreciate the both of you appearing before this Committee to answer our questions and discuss the way forward in supporting our small businesses through this unprecedented crisis.

You know, we enacted the Paycheck Protection Program to ensure that our country's small businesses can keep their employees on payroll and keep businesses afloat during the crisis. And I know many small businesses in my home state of Kansas, especially the minority-owned ones, struggled to access the program during what was a critical time. And, at the same time, we saw well-connected and even publicly traded companies getting these loans with little to no problems, and were even borrowing when they had already borrowed from their own executives.

And I believe Kansans need to know that their tax dollars are not being used to pay back high-dollar salaries of executives. And that is why I have been working alongside my colleagues on this Committee to push for accountability and transparency that the public deserves. In fact, I introduced the PPP Accountability Act, which would ensure that both Congress and the public are able to see the information about the loan recipients for themselves. And I appreciate that you listened to some of these concerns and have made some of the initial data public.

And, you know, from this information, we know that in the Kansas Third, close to 100,000 jobs were retained and preserved. And we also know that there is a lot of information. We have heard about it from some of my colleagues today, a lot of information that we still don't know, like what loan forgiveness rates will look like, the rate at which minority businesses have received loans. And this information is essential to our Congress to provide the oversight that we are constitutionally mandated to provide.

So, I think I will start with, Secretary Mnuchin and Administrator Carranza, can you tell us what your plans are for releasing the data of the recipients for the loan forgiveness portion here?

Secretary MNUCHIN. Well, let me first say I agree with your comment on the public companies and you know there was about \$30 billion of it returned. And as the administrator has said, we are going to have a very robust process to review loans before loans are forgiven.

And, yes, in the forgiveness process people will be required to provide much more data and that data will be released.

Ms. DAVIDS. Well, so can we—I know you had mentioned earlier and it was highlighted a couple of times that there is definitely a

commitment to making sure that minority-owned, women-owned businesses, and some of the most marginalized or disadvantaged small businesses out there should be getting access to these loans at the same rate as everyone else. And, you know, some of the fields included in the data are optional.

And when we talk about how many jobs are saved through loans and demographic information about the ownership of the business being optional, I am curious what your plans are to evaluate the effectiveness and reach of the program without this information.

And I appreciate the commitment that you have to making sure that some of the most vulnerable businesses out there are getting loans. I am just curious how you are going to get there with some of this information being optional?

Secretary MNUCHIN. Well, the jobs numbers will be required, so when people apply for forgiveness, they are going to have to be very specific in how much money was used for payroll and the number of jobs. So, that will be required.

As it relates to demographics, this is optional. There are legal issues associated with forcing people to report demographics.

As I commented in my opening testimony, we have looked at low- and moderate-income census tracts, and we are pleased that money was distributed proportionately. But we look forward to working with you and the Committee on transparency and collecting more of this information.

Ms. DAVIDS. Well, I appreciate that. And I know that this has certainly been an iterative process, particularly when we are thinking about the rollout of the guidance and the rules around these programs.

And I know that folks are working really hard at the SBA and Treasury Department. I have a lot of appreciation for the career folks, who have been putting in tons of hours. And thank you both for continuing to show up and listen to our concerns. I want to particularly thank you for listening to the concerns that my office put forward about the Tribal enterprises and making sure that the Paycheck Protection Program was accessible to all Tribal enterprises. So, thank you for that.

And I will look forward to continuing to working with you to make sure that our small businesses are taken care of in this country.

Chairwoman VELÁZQUEZ. Time has expired. Now we recognize the gentleman from Pennsylvania, Dr. Joyce, for 5 minutes.

Mr. JOYCE. Chairwoman Velázquez and Ranking Member Chabot, thank you for convening us here today in Washington. Administrator Carranza and Secretary Mnuchin, thank you both for joining us here. Thank you for your leadership during this what is an incredibly difficult time.

Small businesses which we in this group frequently state are the backbone of America, and during this COVID crisis truly we have seen that these small businesses have become the heart of America. According to data that you provided to us from the SBA, my district, fortunately, has received \$295 million in PPP loans. This number represents over 2,700 small businesses which were able to retain their employees, pay their benefits, their health insurance.

This was a significant relief for the small businesses in Pennsylvania.

This number would be substantially lower had it not been for your attentiveness for the needs of the farmers. On behalf of Pennsylvania farmers, I thank you for your willingness to work with my office on adjusting these programs to fit the needs of our agricultural producers, those who every day feed us safe and nutritious food.

Administrator Carranza, as we continue to reopen our economy it is possible that people may increasingly rely on the internet platforms to purchase goods and services and to even work from home. While these platforms provide enormous opportunities for small businesses, this transition could further stretch the digital divide between urban small businesses and access to affordable and reliable broadband in the rural areas who have less reliable internet options.

This response to COVID-19, as you so eloquently stated, has been an impetus for innovation. Those words were very striking to those of us sitting here in the Committee.

Would you support further modifications of the PPP that would allow funding to be used for broadband improvements or other costs associated with the tools and the infrastructure that is so necessary to allow rural small businesses to telework effectively and utilize online platforms.

Ms. CARRANZA. Congressman, I have always been a strong proponent of cost-effective broadband for the rural areas and the most underserved markets. And so, I look forward to working with your office to continue that discussion. Yes.

Mr. JOYCE. Thank you, Administrator. So, those in our rural areas can more readily access the necessary avenues of commerce, thank you for this consideration and thank you for allowing us to continue this discussion and evaluate the use of PPP to support rural broadband.

Secretary Mnuchin, thank you for acknowledging that utilizing the remaining funds in PPP can positively affect small businesses that have been and continue to be drastically affected by COVID.

Thank you for focusing on different businesses and considering the additional economic impact and qualifying by economic impact on the businesses. I think that is a reliable model that will allow us to move forward and effectively utilize the remaining PPP funds.

Thank you for your continued work with us, Secretary Mnuchin, and for the efforts to return those remaining workers to their jobs. Do you feel that utilizing the additional PPP resources will allow us to continue to see those additional workers return to full employment?

Secretary MNUCHIN. Yes.

Mr. JOYCE. Thank you both for being here today. Thank you for continuing your work, and I yield the remainder of my time.

Chairwoman VELAZQUEZ. The gentleman yields back. Now we will recognize the gentleman from Maryland, Mr. Mfume.

Mr. MFUME. Madam Chair, thank you very much for the opportunity. I want to thank you for your relentless efforts at trying to bring about fairness and equity to this issue and to the overall sear



of what is happening with small businesses in this country and, even more so, what is not happening. I want to thank the Ranking Member and I obviously want to thank our guests who are here.

There is, from where I sit, a great deal of skepticism in many circles across the Nation from people who see the awarding of PPP funds and the rollout of this project as being discriminatory; as being something that works for others, but does not work for them; and as something that they believe was set up to be that way.

Now, people, for whatever reason, have their own beliefs and their own shortcomings and misgivings about things, but when they look at the fact that the President's lawyer received PPP funding, that Members of Congress have received it, that private equity chains have received this funding, it is kind of hard to look at those persons and say, well, no, that is not the case. These are just coincidences.

And so, it is out of that backdrop, for me at least, and, as I said, from where I sit, that I am concerned that we continue to have this discussion about bringing equity to Black and Brown and Korean businesses where if we, I think, were true to what we were saying to begin with, whether it was this program or any program that preceded it, that would be something that we would look for. We would automatically have that as a threshold, as something we would want to try to achieve.

And as I said the other day, Madam Chair, after having served on this Committee 10 years through the '80s and the '90s, through three presidential administrations, and then to be fortunate enough to return to 24 years later to be a part of this Congress and, again, this Committee, it is disheartening for me to look back over that period of time and to recognize that many of the same arguments advocating on behalf of Black and Brown and Korean businesses for fairness and equity are still being made. I mean, it is almost unconscionable, it is unbelievable. And if I didn't live it myself through the 10 years that I was here and the 24 years that I was gone, I wouldn't believe it.

People are concerned, Secretary Mnuchin and Madam Administrator, that what they see does not gel with what they have been led to believe. They think that the awarding of this program in some way represents Robin Hood in reverse, that the people who really should be getting some of this money on a fair basis are not getting it. They anticipate that there will be another review, another study on the study, and then another Plan B for the Plan A that failed. So, I want to get that on the record because these people oftentimes don't have an opportunity to speak for themselves.

Let me just say to you that in the hearing conducted by this Committee on June 17th, we learned of many issues that many borrowers and lenders have faced in applying and in using PPP dollars; witnesses outlining various areas of improvement, including and not limited to more explicit rules, clearer guidance around loan forgiveness, and more accessibility for minority-owned and underserved businesses. And they believe those are crucial issues.

We learned that the structure and the implementation of PPP continues, as has been said, to disadvantaged, smaller businesses, specifically businesses of color. And that is due to the structural limitations that are built into the program.

I think both of you would probably agree that PPP funding is heavily dependent on traditional financial institutions and prior banking relationships. Many of those institutions have been documented to have bias in their awarding of loans and bias in their consideration of loans, not to mention a different assignment of risk for persons who may be Black, Latino, or Asian.

And so, those things have traditionally hampered Black businesses. And now when we get to this stage and this juncture, persons like myself, at least you have got to show me that this is not true.

Prior to the June 17th hearing, both of you know that a letter was sent to each of your departments inquiring how and why minority businesses have had so much trouble and being denied in many instances outright for the EIDL and the Paycheck Protection Program. We needed transparency. We requested that you immediately begin publishing the demographic data on PPP recipients. On July 6th, that data was released and our worst anecdotal observations were confirmed, especially in my congressional district, where in the entire State of Maryland, which is not a large state—this is not California or Texas; there are only eight congressional districts—the district that I represent got—

Chairwoman VELÁZQUEZ. The gentleman's time—

Mr. MFUME.—2.7 percent of the funding. And I thank you, Madam Chair. I am good.

Chairwoman VELÁZQUEZ.—time has expired. Yes, sir, you can finish your—yeah, okay.

Now we recognize the gentleman from North Carolina, Mr. Bishop.

Mr. BISHOP. Thank you, Chairman Velázquez and Ranking Member Chabot, and especially to all the Committee members physically present right here in this hearing room in Washington, along with our distinguished witnesses, which demonstrates the kind of the leadership the American people need to see. Thanks.

I join those who have complimented you and those serving with you, especially for your historic accomplishment in implementing the Paycheck Protection Program.

Secretary Mnuchin, as you have observed, the key to that historic success and speed was enlisting private sector financial institutions, including traditional banks, fintechs, credit unions, CDFIs, to serve as the conduit for massive relief to huge numbers of small businesses.

Given that fantastic success, if Congress legislates additional relief we would be wise to continue the model of PPP and keep private sector lenders enlisted in the mission. But we have heard that lender fatigue is an issue. This is attributable in part to the fact that after these business entities jumped to respond to the call of the Federal Government, a number now face frivolous lawsuits, proving that too often when government is concerned, no good deed goes unpunished.

As the administration looks at additional relief measures, it seems to me that we should try to prove that adage wrong for once, mainly by clarifying that the current “hold harmless” language which protects PPP lenders from liability applies throughout the life of the loan.

Mr. Secretary and Madam Administrator, isn't it important to fight lender fatigue in this way? And will you work with us on this protection for lenders who have done so much to help in the current crisis?

Secretary MNUCHIN. Yes, we will work with you. Thank you.

Mr. BISHOP. Madam Administrator?

Ms. CARRANZA. Likewise.

Mr. BISHOP. Shouldn't we also be looking at that same issue for small businesses who face similar concerns, that is frivolous liability—or frivolous lawsuits?

Ms. CARRANZA. Yes. One of the concerns I had was that we don't take any measures that would be punitive to the borrower or the lender, especially when we have started with 1,800 authorized lenders and grew that to 5,500. And the Secretary and I are still working on additional nontraditional lenders that are still applying to provide PPP loans. And we are looking forward to making sure that the underserved, the sole proprietors, and the independent contractors, really have an opportunity with this over \$100 billion that remain.

Mr. BISHOP. Thank you, ma'am. Administrator Carranza, I want to follow up on an issue that has disturbed millions of Americans. It is now widely known that abortion provider Planned Parenthood brazenly violated the law concerning business affiliation by taking \$80 million of PPP loans via its affiliates. The American people want to know how the SBA failed to act in real time to prevent this wrongdoing and how it will act quickly to compel the return of those funds and prosecute those responsible.

Ms. CARRANZA. I will answer that question in two manners. One, we do not discuss individual loan issues publicly. And secondly, we will be reviewing all affiliations and all loans closely.

Mr. BISHOP. Madam Chairman, I request unanimous consent to submit for the record the May 19, 2020, letter of SBA Associate Administrator William Manger to Planned Parenthood of Delaware, Incorporated, including the investigative document request and interrogatories appended thereto.

Finally, Mr. Secretary, your testimony referred to your anticipation of additional relief to business and, importantly, that it will be targeted to the parts of the economy that need it most as our economy is starting to move from lockdown to restart. Undoubtedly, the lockdowns hit certain industries harder and I was pleased to hear that your answer to Ranking Member Chabot that in targeting the relief, the administration proposes to rely on neutral standards, such as documented pandemic-related revenue loss.

Can you elaborate on the threshold you have in mind of revenue loss that would warrant relief? And do you believe that relief would be graduated in proportion to the degree of revenue loss?

Secretary MNUCHIN. Well, I look forward to working with this Committee and the Senate committee to determine those issues. Again, as you just raised, we should look at whether it should be a specific number or graduated. So, yes, we look forward to working with you.

But I think it is important that we target this to the businesses that are hardest hit.

Mr. BISHOP. Agreed, Mr. Secretary. And I guess the last point, I am curious if you would agree that the reason to do that, to target it according to revenue loss rather than, say, picking specific industries, is that to do the latter would be both overinclusive and underinclusive. And you might arbitrarily pick winners and losers rather than responding to a particular need.

Secretary MNUCHIN. Yes.

Mr. BISHOP. Thank you, Madam Chairman.

Chairwoman VELAZQUEZ. Time has expired. The gentlelady from California, Ms. Chu, is recognized for 5 minutes.

Ms. CHU. Yes. Administrator Carranza, I would like to follow up on this issue of Planned Parenthood. You know, Planned Parenthood has been a lifeline for healthcare providers. Their affiliates serve nearly 3 million patients annually and is an important healthcare provider for many low-income people across this Nation. And let me say that Planned Parenthood affiliates operate independently from the national organization, each having their own CEOs and board of directors, and, therefore, qualify for PPP.

On May 28th, I co-wrote a letter to your agency along with Chairwoman Velázquez. It was signed by 166 Members of Congress. And we asked you to administer the PPP program in a uniform manner and specifically not to exclude any entity or nonprofit on the basis of political ideology.

Now, this letter came in response to numerous Planned Parenthood affiliates learning that they were under investigation for violation of the PPP affiliation rules, even though they were not. So, I am deeply concerned about the motivations which would have prompted the SBA to conduct these investigations into the eligibility of Planned Parenthood affiliates, especially after several of them learned about these investigations first from Fox News rather than from the SBA directly.

So, Administrator Carranza, of the over 500,000 healthcare and social assistance entities that have received PPP loans, can you tell the Committee how many investigations into violations of affiliation rules have been conducted? And has the SBA initiated such investigations against any other nonprofit organization for violation of affiliation rules under the PPP?

Ms. CARRANZA. Congresswoman, as I addressed Congressman Bishop, at this point I am not able to discuss any particular loan review, and I am not in a position to discuss any others that we are reviewing. The specific one that you are referring to is under review, as well as others. But I will not get into any specifics about that, I am sorry.

Ms. CHU. Well, now let me focus in on another issue. Mr. Secretary and Ms. Administrator, I would like to (inaudible) two mandates of the CARES Act. One is that all COVID-19 loan programs be translated into the 10 most commonly spoken languages other than English. The other mandate is that PPP should prioritize underserved businesses, such as those owned by women, minorities, and veterans. Despite this clear mandate, Treasury and SBA failed to even collect demographic data of PPP applicants.

As a result, the loan level data released by your agencies show that, for instance, in California, only 6 percent of loans under 150,000 included information on race and ethnicity. And in May,

the SBA inspector general testified to the Subcommittee that I Chair, the Oversight Committee, that agencies have failed to issue any formal guidance to lenders on how to prioritize underserved businesses and, of course, to adequately collect data.

So, to demonstrate the seriousness of this failure, just this week the National Community Reinvestment Coalition published a study showing that Black business owners with identical or better finances than White business owners were less likely to be offered Federal assistance by participating PPP lenders.

So, Mr. Secretary, please explain why you haven't provided this guidance to lending institutions on how they should be prioritizing the underserved and what you are doing to address this issue, as well as the collection of demographic data.

And, Ms. Carranza, I do appreciate your testimony saying that the SBA has translated its resources to 17 languages. But the EIDL application still is not translated, and what is happening with that?

Secretary MNUCHIN. So, first—

Ms. CHU. So, Mr. Secretary?

Secretary MNUCHIN. Yeah, first, let me just say the demographics information was always really intended to be collected on the forgiveness. So, again, this is something that we couldn't force people to do, but we hope that people do this and there will be a lot more information disclosed.

We have made major efforts to work with the CDFIs for greater access. And, as I said, we do have access to census tracts, so, again, that is well represented. But we can always do a better job and we will.

Chairwoman VELÁZQUEZ. The gentlelady's time has expired. Ms. Carranza, you may answer the question.

Ms. CARRANZA. Yes. Concerning the language, you are correct, we have 17 languages, interpretations of the PPP application. I will have to look into how many languages in the EIDL, but that program was also to have bilingual.

Chairwoman VELÁZQUEZ. The gentleman from Pennsylvania, Mr. Evans, is recognized for 5 minutes.

Mr. EVANS. Thank you, Madam Chair, for your leadership, especially on this subject and staying relentless on this subject. We are all concerned about it.

Madam Chair, is it possible for the gentleman from Baltimore, that I could yield some of my time, I don't have much, to get the answer to this question?

Chairwoman VELÁZQUEZ. The gentleman from Maryland is recognized.

Mr. EVANS. Yes.

Mr. MFUME. Thank you, Madam Chair. I want to thank the gentleman from Pennsylvania. I will not take much of it.

The point that I was trying to make, though, is that when the data did finally get released after our letter, the data that was released to all of us on July the 6th, it showed, Mr. Secretary and Madam Administrator, that in the State of Maryland, which only has eight congressional districts, the one that I currently represent now got 2.7 percent, 2.7 percent, of all of the funding, even though

it is the most diverse district with Black, Latino, and Korean businesspersons anywhere in the state.

Now, this district had been previously represented by the late Elijah Cummings, and so we have been without a representative for some time until I got sworn in. But there is no reason in God's world that there should be that kind of a disparity so obvious in a state and a district, in particular, that diverse.

And I will yield back the time to the gentleman from Pennsylvania, and I appreciate it.

Mr. EVANS. Thank you.

Chairwoman VELAZQUEZ. Thank you.

Mr. EVANS. I want to specifically go to the Secretary of the Treasury and kind of piggyback a little bit on what was just stated. The question I want to ask, what are you doing to address the discriminatory loan practices? And what are you going to do to hold these banks accountable in terms of this process?

We have seen that. I think the Chairperson and Chairwoman Maxine Waters, they work together about CDFIs, initial investment. What are you specifically as Secretary of Treasury—because, obviously, Black borrowers have been treated differently than White borrowers. So, can you speak to that, Mr. Secretary?

Secretary MNUCHIN. Well, let me first say I have had multiple calls with Chairwoman Waters and they have been very constructive and very helpful. We have also made a major effort to work with the CDFIs and expand the CDFIs, and we are pleased with their work. Robert Smith, as I have commented before, has been particularly helpful. We have had weekly conference calls with him and his team.

And we have to do a better job to make sure that all areas and all communities have access to these funds. And to the extent there are specific situations of discrimination or others, obviously we want to research that.

Mr. EVANS. Well, when you say "better," you have a lot of experience. I heard the gentleman from Colorado ask you about your banking background. Can you in a very specific way tell us what tools you intend to use, especially when you know that this problem does exist?

Secretary MNUCHIN. Well, let me just repeat, the statistic we have on low- and moderate-income housing is we did have proper representation. Now, that obviously is different than other demographics.

The CDFIs, I think, are best used at being able to access the underserved communities, and that is why we proactively put a CDFI set-aside as something we very much support. And we support an additional legislation making sure that the CDFIs have the proper resources to serve these communities.

Mr. EVANS. Go to the administrator real quick. The EIDL program relating to constituents of mine who called about it, the question around credit and what, tell me what was your thinking in terms of receiving that information. Was there a ranking of order relating to EIDL distribution of grants? How exactly was yours or management around you relating to the EIDL program?

Ms. CARRANZA. The EIDL advance administration was based on the number of applications that were, again, in the queue apply-

ing for the advance. And we based it on \$1,000 per employee. It wasn't just an arbitrary number. It was a well-assessed and analyzed strategy. It was discussed with Members of the Senate Small Business Committee.

We advised them that in order to cover the number of applicants, the number small businesses that were applying for the advance, we needed to do something so that many more people would receive the funds. The average for both the agriculture and as well as normal businesses were about three employees per business, so it was about 3,000.

Chairwoman VELÁZQUEZ. The gentleman's time has expired.

Mr. EVANS. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. The gentleman from Illinois, Mr. Schneider, is recognized for 5 minutes.

Mr. SCHNEIDER. Thank you, Madam Chair. And I want to thank you for holding this hearing. Congressional oversight of these unprecedented programs is critical, especially as we think strategically about our posture going into the fall. I want to thank you as always and to the Committee staff for the work you have been doing throughout this process.

Secretary Mnuchin and Administrator Carranza, thank you for joining us today and for your work assisting small businesses throughout this pandemic.

Administrator Carranza, you assured me that many of our complaints about the EIDL program, the lack of communication to borrowers, the backlog of applications, have been addressed. I heard you say today that you have compressed the time of processing to only 5 days. But I am concerned that, you know, at this moment, as we are in this kind of lull and it is kind of like a diner in between the lunch and the dinner rush, things are quiet, but it is going to get busy again soon when the money starts to run out.

When you talked about the \$150,000 as a cap and earlier you had mentioned that we, through our work, had provided a bridge, when you created that arbitrary cap that is a bridge that goes part-way across the river. But without a full bridge, many of these businesses are going to find themselves in the river getting wet and many of them will drown. We need your help and I hope you will lift that cap and give the help that many of these businesses need.

Economic uncertainty continues and will continue in the months ahead. Small businesses are still going to need more help in the fall. And so, today what I would like to discuss is Treasury and SBA's preparations to anticipate the expected surge in challenges in the fall.

Earlier this week, I sent both of you a letter with questions I would like to discuss on the PPP and EIDL loans. How well they were implemented, how they helped the businesses, what gaps remain, and what your agencies are doing to anticipate that.

In that vein, Secretary Mnuchin, what economic forecast remodeling, if any, has Treasury done to anticipate future needs?

Secretary MNUCHIN. So, I think economic modeling is particularly hard at the moment because of the fact that we closed down the economy. This is not a typical economic situation. But we are relying upon our economic models where we do anticipate as we open the economy that we will have a significant improvement, as

I have said, in the third quarter. But there will be industries, and we have done economic modeling within the Treasury on the industries that are going to be hit the hardest and the sizing that we need of additional PPP funds to address that. And we will be working with this Committee and with the Senate on that.

Mr. SCHNEIDER. Do your models take into account the fact, as we are seeing in California, Texas, Arizona, Louisiana, Florida, a serious spike in cases? In California, you are seeing businesses close down again. Do the models take that into consideration?

Secretary MNUCHIN. Well, again, let me just first say that traditional economic models, given the medical situation, are very hard. But, yes, we are looking at this across the entire U.S. and certain scenarios, as you said, where there will be a slowdown in opening and certain areas where things are doing better. But, again, that is the reason why I think we need additional funds to help these hardest hit businesses.

Mr. SCHNEIDER. And I appreciate it is hard, but it is necessary. And it is also necessary for these businesses and other organizations, like our schools, to have clear and consistent guidance. I have had countless conversations with businesses, yesterday I had a group call, Zoom call, with school superintendents, and all of them are talking about the challenges they are facing with the lack of clarity and the guidance coming from both your Department, as well as others.

And I asked the superintendents about the teachers. The teachers said they are absolutely terrified about going back to work. I don't think the government is doing nearly enough to provide that guidance. I hope we can see more guidance.

But as you are looking at forward-thinking and what we might need, how do you incorporate the data you have, the uncertainty that lies ahead to make sure we can give better guidance to our businesses going forward?

Secretary MNUCHIN. Well, I can assure you that the task force will be working and continues to work with the states on guidance. And obviously, the states refine it based upon the different areas.

And on your comment, I expect that we will have a significant amount of money dedicated to K to 12 education to help them deal with, as they—the areas that reopen have the proper money to fit, so that it is safe for students and for teachers.

Mr. SCHNEIDER. Thank you. Let me just say it is critical, not just the money, which desperately is needed, but the guidance on how to use that money and how best to open safely.

In my last few seconds, Administrator Carranza, when we spoke last, I gave you last month a letter asking for an update on 59 businesses in my district that still have not received a decision on their EIDL application. As of today, 12, more than 20 percent, of those companies are still waiting. Can you give us an estimate of when we will get these? Companies like Easy Cut in my districts are waiting and trying to get that information to survive this pandemic.

Chairwoman VELÁZQUEZ. The gentleman's time has expired. You may proceed to answer the question.



Ms. CARRANZA. Congressman, I look forward to working with your office to identify the remaining balance of those businesses to come to a conclusion.

Mr. SCHNEIDER. Thank you.

Ms. CARRANZA. You are welcome.

Mr. SCHNEIDER. With that, I yield back.

Ms. CARRANZA. Thank you.

Chairwoman VELAZQUEZ. The gentleman from New York, Mr. Espaillat, is recognized for 5 minutes.

Mr. Espaillat, you need to unmute yourself.

We cannot hear you, so I am going to recognize the gentleman from New York, Mr. Delgado, for 5 minutes.

Mr. DELGADO. Thank you, Chairwoman. I want to thank both Administrator Carranza and Secretary Mnuchin for being with us today.

And while the PPP and EIDL programs have been critical for small business owners, I want to take a moment to highlight a bill that I introduced that was included in the CARES package, the Small Business Repayment Relief Act, now known as the Small Business Debt Relief Program, which provides 6 months of payments—principal, interest, and fees—for qualified SBA loans, including SA, 504, and microloans.

In the month of April, the SBA made payments to lenders just over 1 billion. And these payments corresponded to 263,192 total borrowers. However, estimates provided by the Congressional Research Service indicate that there are about 320,000 outstanding loans across these three programs.

Administrator Carranza, you noted during a Senate Small Business Committee hearing last month that the SBA had taken steps to notify borrowers of this benefit, but needed to do more outreach to ensure borrowers who are eligible are aware of this benefit. Can you tell me what concrete steps you have taken to ensure that every eligible borrower is able to take advantage of these 6 months of payments?

Ms. CARRANZA. Yes, we dealt with the lenders and intensified the communication. As a result of that, we have realized it has gone from \$1 billion to \$3 billion of debt relief. And we can do more because, as you stated, there is still an opportunity to work not only with the existing businesses, but others that are interested.

And our 7(a) has grown significantly, which we are very pleased about; 504 is not growing as quickly, so we need to intensify in that particular area. I am very pleased to announce that within the HUBZone, as you know, the 504 falls into that area, the underserved market, we have over \$106 billion that have been appropriated under the PPP program.

I look forward to working with your office if you have any particular areas that you would like me to concentrate on.

Mr. DELGADO. Well, I would like to just follow up, if I may. You said you contacted the lenders and then you said you can do more. So, I am curious if you would be able to detail what the more would include.

Ms. CARRANZA. Follow-up calls to the individuals that we initially contacted through our Office of Capital Access.

Mr. DELGADO. Anything else?

Ms. CARRANZA. Again, I look forward to speaking with you and working up a strategy that would—if you have a particular area that you believe we could do a better job of. I will go back to the office and inquire as to how are we working with all of the other program offices.

Again, 7(a) has progressed well; 504 not as strong. But the debt relief has seen an increase of a couple of billion dollars since we last spoke. That is to say since the hearing. Thank you.

Mr. DELGADO. Given that 7(a) has increased well, are there things that are being done with regards to that loan that could be utilized with regards to the other major loans that could help closing the gap we are speaking of now?

Ms. CARRANZA. Well, Congressman, we have been talking about perhaps strengthening up all of the flagship loans and we have been communicating that information to Treasury.

Mr. DELGADO. Okay. We should definitely coordinate with our offices and talk through a bit more what other concrete steps we could take to help facilitate this. You know, we also don't know how much has been spent through this program since May. We don't know how much has gone to new qualified loans compared to existing. We don't know how many borrowers have yet to receive it. We don't know which lenders have failed to comply.

On June 5th, Senator Coons and I sent a letter requesting this information. Do you have this information available or when can we expect this information?

Ms. CARRANZA. I look forward to working with your staff. And if we have the data, which we reconcile on a quarterly basis, from what I understand, we can make that available to you in short order.

Mr. DELGADO. We sent the letter on June 5th, and I just want to know have you been in receipt of the letter?

Ms. CARRANZA. I am sure our congressional legislative office is working on it, sir, so I look forward, again, to connect with your office and resolve that particular issue and—

Mr. DELGADO. Yeah, we certainly—

Ms. CARRANZA.—provide you the information that you need

Mr. DELGADO. I appreciate that. We certainly would like to expedite this process given, you know, the urgent needs on the ground.

Ms. CARRANZA. Thank you.

Mr. DELGADO. And I am sure you can imagine the importance of that. So, with that, I will yield back my time.

Chairwoman VELAZQUEZ. The gentleman yields back.

Mr. Espaillat is recognized for 5 minutes. He is not ready. They are having some technical issues.

The gentlelady from Minnesota, Ms. Craig.

Mr. ESPAILLAT. Can you hear me now, Madam Chair?

Chairwoman VELAZQUEZ. Yes, I can hear you.

Mr. ESPAILLAT. Okay. Will you allow me to proceed?

Chairwoman VELAZQUEZ. Go ahead.

Mr. ESPAILLAT. Thank you, Madam Chair, and thank you—

Chairwoman VELAZQUEZ. The gentleman is recognized for 5 minutes.

Mr. ESPAILLAT. Thank you, Madam Chair, and thank you, Ranking Member. Thank you, Administrator Carranza and Secretary Mnuchin.

Several months back, I spoke at this Committee and I said that small businesses, mom-and-pop stores, throughout New York were really upset and were mad as hell. Because we all know, and I am really amazed to see how everybody is praising the PPP program and how it began, because we all know it was a debacle. The portal crashed. Traditional banking institutions went to their preferred customers. And only the well-heeled and connected were able to get access to the PPP program to the degree that many of them were shamed into returning the money because they were publicly embarrassed that they were accessing this money.

And small businesses throughout America felt that Main Street should be bailed out. We have already bailed out Wall Street. We already bailed out the airline industry. We already bailed out a bunch of industries. But Main Street needed to be bailed out, and the start-up of the PPP program was a debacle. In fact, it took a carve-out of some money and acknowledging that we needed to engage community-based banking and CDFIs to access dollars and give them to the small businesses across Main Street in America.

But even with that, we have just recently seen how a New York Times—a Wall Street Journal report on an investigation made by the New York City comptroller revealed that only 12 percent of the 1.1 million businesses, employee-based businesses, in New York City got PPP loans in comparison to 20 percent of businesses in states like Montana, Kansas, Iowa, Wyoming, et cetera. While the pandemic was ravaging New York, the PPP program was giving money to those states that were the least impacted by the pandemic.

So, my first question is to you, Secretary. You mentioned that you will carve out some money for minority- and women-owned businesses. How much money from the remaining part of the PPP program and additional funding that will come for it will you carve out for that particular part of the economy?

And the second question is, Mr. Secretary, will you consider having some parity in the level of access to the PPP program for states like New York, which contributes far more to the Federal coffers and contributes in ways that other states don't, and yet they get far less back? Again, only 12 percent of businesses here got that as opposed to 20 percent in states like Kansas and Wyoming and Iowa and Montana.

Those are my two questions. How much money will you carve out for minority- and women-owned businesses? And do you want—is there an effort to give states like New York, which are hammered—the Bronx, which was hammered by the pandemic, had one of the lowest numbers of PPP loans given to their businesses. In fact, if you look at who got the loans you will see that many management consulting firms got it, legal services firms got it, as opposed to, let us say, for example, nursing homes, which I think were critical in bringing life-and-death services to people impacted by the pandemic.

So those are my two questions, Mr. Secretary.

Secretary MNUCHIN. So, as it relates to the first question, a specific dollar amount for the set-aside, I will be working with this Committee and with the Senate to see what both committees think is appropriate for that. And I am sure we can reach an agreement that—something that is appropriate and significant.

As it relates to New York, I am not sure why more PPP loans haven't been made there. There is still money available. So, to the extent there are businesses in your area that need loans, we are more than happy to work with you.

I don't believe there should be set-asides for certain states. And I think, again, it took a while to get this up and running, but I think now we have a system that will work well in the next round.

Mr. ESPAILLAT. Well, now, Mr. Secretary, now that the pandemic is ravaging the rest of the country, states like Florida, you must agree, right, that Florida, Texas, Arizona are getting hard-hit right now. And, in fact, some of those businesses may have to shut down.

Perhaps as New York looks to reopen, this is the perfect time to focus in places in New York to see how we can help out New York. As goes New York goes the rest of the country. And so, is there a commitment to help, you know, small businesses, minority- and women-owned businesses, in New York State?

Chairwoman VELAZQUEZ. The gentleman's time has expired. Now we recognize the gentlelady from Minnesota, Ms. Craig.

Ms. CRAIG. Thank you so much, Madam Chairwoman. And I want to say thank you to Administrator Carranza and Secretary Mnuchin for your efforts over the course of the last 3 months. This Committee has been really a model of bipartisan efforts to save our small businesses. So, I just want to say thank you to my colleagues across the aisle, as well.

Secretary Mnuchin, I was going to ask you and Administrator Carranza about extending the PPP applications for a second loan. You have indicated that you are open to that idea. I actually have the bill here in the House that would allow those hardest hit sectors, like restaurants and retail and hospitality, to come back and get a second forgivable loan if their revenue has been impacted by 50 percent or more and the size of their business is 100 or fewer employees with that remaining approximately \$130 billion.

I also had the bill a couple of weeks ago that passed the House, and thank you to the President for signing the extension of the loan program through August 8. I will tell you that I already this week have been meeting with small lenders, community lenders, who have been telling me that smallest of smallest businesses, loans of \$6,000, \$9,000, people are coming back and getting the PPP loan for the first time in the smallest of loans, which is really heartwarming. And I thank you for extending that.

Secretary Mnuchin, can you just say a little bit more about the program as you would envision it of allowing those hardest hit sectors to come back? And I just want to make sure that I understand the direction that you and the administration are thinking, as well.

Secretary MNUCHIN. Well, my suggestion and, again, let me just say we look forward to working with you and the Committee and the Senate, but my suggestion would be we have a program that works. We try to keep as many parts of the program con-

sistent, we allow a second check, and that we put a limitation on a revenue decline and a size. And I understand your bill. I think that is a reasonable approach, but something, again, we are going to want to look—work with you, this Committee, the Senate to figure out what the appropriate revenue decline should be, what the size of the businesses should be, whether it should be 100 or slightly higher than that.

But, again, we have complete agreement. There should be a second check available to the businesses that are hardest hit and there should be requirements around that.

Ms. CRAIG. Thank you so much. My lenders and my small businesses as of this week are starting to ask the question, Administrator Carranza and Secretary Mnuchin, if there is any thought with respect to the smallest of smallest loans. I know there is a Senate bill that defines it as 150,000 or less, but that would absolve these businesses from essentially filling out those loan forgiveness applications just from the perspective of the bureaucracy of doing that.

Is there any thought on either of your parts that whatever number we might not require or should we be advising our small businesses get your materials ready, everybody is going to have to fill out this loan forgiveness application?

Secretary MNUCHIN. Well, we have put out what we call the EZ Form, and I think there are certain things that we can work with the Committee on in new legislation to simplify this even more. I am somewhat hesitant to just say a blank check, if you were 150,000 or less, you don't have to do anything, because, again, I am concerned about fraud and want to make sure that the oversight committees are comfortable that this money was used appropriately. So, I think some level of reporting in a simple way is important.

Ms. CRAIG. Thank you so much. And then two final things very, very quickly.

The initial CARES Act with the \$1,200 Economic Impact payment, I know over the course of the next couple of weeks you are going to be working with the Senate, with the House perhaps on a second—or an additional bill. The 17- and 18-year-olds were left out as dependents, adult disabled dependents, college students like mine, who were back in my basement eating us out of house and home, were left out as dependents.

Secretary Mnuchin, would you be open to including them in the next package and making that retroactive?

Secretary MNUCHIN. So, let me just say from a policy standpoint, I understand that issue and I am sympathetic to it. There are some technical issues that the IRS and we have in administering that because of the way dependents were reported on tax returns. But we are trying to figure out if there is a way to do that.

Ms. CRAIG. I appreciate that very much, sir.

And with that, Madam Chairwoman, I will yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back. Let me thank the Administrator and the Secretary of the Treasury. Thank you again for being with us today to discuss your agencies' response to the COVID-19 pandemic.

I am dedicated to pushing SBA and Treasury to prioritize our very small and underserved businesses because these communities are hurting. The programs have been fraught with challenges for participants and a lack of transparency for those of us seeking to conduct oversight.

With that said, I expect regular updating to the data on PPP and forgiveness in the future. I also ask that you publish a comprehensive program guide. We cannot continue to operate this way. It is not good for borrowers; it is not good for lenders either. We cannot work when there are at least 22 entering final rules and 49 frequently asked questions that borrowers and lenders must navigate. Understanding that this program was stood up with extraordinary speed, it is long overdue that a comprehensive guide is published.

I ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record. Without objection, so ordered.

If there is no further business before the committee, we are adjourned. Thank you.

[Whereupon, at 12:48 p.m., the committee was adjourned.]

[Hon. Jovita Carranza did not submit his QFR's in a timely manner.]

**A P P E N D I X**



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

**before the  
House Committee on Small Business**

**Hearing on "Oversight of the Small Business Administration and Department  
of Treasury Pandemic Programs"**

**July 17, 2020**

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

Good morning, Chairwoman Velazquez, Ranking Member Chabot, and members of the committee. Thank you for inviting me to testify today.

For the last four months, the U.S. Small Business Administration (SBA) has been engaged in an unprecedented effort to provide critical economic relief to America's small businesses. These pandemic programs have engaged the entirety of the agency's staff and program offices. They have also involved unique partnerships, like our work with the Department of the Treasury (Treasury), on the Paycheck Protection Program (PPP).

The SBA has provided over \$660 billion in much needed economic relief to small businesses across the country through the PPP, the agency's economic injury disaster loan (EIDL) program, and the business loan debt relief program. These programs have made a significant difference in communities and to our economy.

Soon after passage of the CARES Act, the agency and the Department of the Treasury worked to implement the PPP, an entirely new business assistance program. We jointly released program rules and guidance and have been providing regular updates to Congress and the public. As of July 10, the PPP has resulted in over 4.9 million loans, made by over 5,400 lenders, and totaling over \$517 billion. The PPP has supported the employment of over 50 million American workers and greater than 80 percent of the small business payroll across the country.

The daily and weekly data release includes topline figures on the PPP and provides 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 publicly available on the SBA website. In addition, comprehensive program information was released to the public recently detailing loan and lender information from the beginning of the PPP.

The agency, through our Office of Capital Access, has approved over 3,600 new lenders who have never before participated in SBA lending programs. This includes non-bank and non-traditional lender institutions. Through the hard work of the staff managing the lending system, the program office have 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.

As the weekly data sets show, over 5,300 lenders are in the smallest lender category, and they have made the highest number of loans. Working with Treasury, 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. Over 420 Community Development Financial Institutions (CDFIs) and Minority Development Institutions (MDIs) are participating in the program.



There are various other areas of agency activity that have also been essential in supporting small businesses through the pandemic. The agency Office of Entrepreneurial Development worked quickly with the SBA resource partners to enable small business education and training, through CARES Act funding through Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs). The agency has awarded grants to all 62 SBDC lead centers and to all 113 WBCs. The agency also worked with the associations to develop and fund a common website, available to all small businesses.

Another area in which the agency is helping small businesses is through resources in 17 different languages. The agency worked hard to create materials on pandemic programs in 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.

Regarding the 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. The agency has reached over 8.4 million businesses with over \$170 billion in economic aid through loans and advances. Along the way, we stood up an entirely new distribution program, implemented various eligibility changes, and have reached new heights in our disaster loan processing and disbursement times. SBA recently exhausted the \$20 billion Congress appropriated for EIDL advances and has ended that program. We continue to process and approve EIDL loans.

Another important area of economic aid involves the debt relief portion of the CARES Act, providing six months of principal and interest payments to existing SBA business loan 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. From April through June, the agency provided over 834,000 payments for over \$3.2 billion. In addition to the PPP and EIDL program, this has been another very important means of economic assistance for small businesses.

The agency has also worked to make it easier for states and small businesses that export, by providing quick guidance on the use of funds under the agency's State Trade Expansion Program (STEP). Many trade events and international trade missions were affected by pandemic-related travel restrictions, and the CARES Act 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.

Another area of activity I want to share is with small business contractors. SBA's Office of Government Contracting and Business Development (GCBD) has 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 share the continued actions we are taking as an agency to fulfill our governance responsibilities in managing CARES Act programs and funds. I created an integrated, agency-wide team that will coordinate SBA's internal oversight. Our Office of the Chief Financial Officer is leading a team to oversee the execution of funding, develop quality assurance processes, measure program performance, and support the deployment of appropriate resources for compliance.

Let me close by thanking the Chairwoman, Ranking Member, and all members of the committee for your continued support of the agency, your work with our district office staff, and our partnership in helping America's small businesses at this critical time. The programs enacted through the CARES Act are essential economic relief programs, and we will continue to work together to ensure their success.

Thank you again for the opportunity to testify today.

**Statement of Secretary Steven T. Mnuchin  
Department of the Treasury  
Before the Committee on Small Business  
United States House of Representatives  
July 17, 2020**

Chairwoman Velázquez, Ranking Member Chabot, and members of the Committee, I am pleased to join you today to discuss how the Department of the Treasury and the Small Business Administration (SBA) are working together to provide relief to businesses and their workers through the Paycheck Protection Program (PPP). We remain committed to making sure that every American gets back to work as quickly as possible.

**Economic Recovery**

America's economy continues to recover from the challenges posed by the COVID-19 pandemic. For the second month in a row, the jobs report vastly exceeded forecasts, with a record gain of nearly 5 million jobs when experts predicted 3 million. This brings our two-month total gain to approximately 8 million jobs, meaning that 34 percent of jobs lost due to the pandemic have been recovered. Recent improvements in unemployment insurance claims suggest that the job market has continued to strengthen in July.

While the unemployment rate is still historically high, we are seeing additional signs that conditions will improve significantly in the third and fourth quarters of this year. The Blue Chip Report is forecasting that our GDP will grow by 18 percent annualized in the third quarter, and by 7 percent in the fourth quarter.

The U.S. Chamber of Commerce reported last month that 79 percent of small businesses are at least partially open already, and half of the remaining businesses are opening very soon. Retail sales rose in May by 18 percent, more than double the expected rise of 7 percent, and by 7.5 percent in June, higher than expectations and 1.1 percent higher than June 2019. Investors and businesses have historically high cash positions, the highest level since 1992, indicating that private capital is readily available to re-invest into commercial operations as communities re-open.

We are in a strong position to recover because the Trump Administration worked with Congress to pass legislation on an overwhelmingly bipartisan basis and provide liquidity to workers and markets in record time. In particular, the PPP is keeping tens of millions of employees connected to their jobs. Economic Impact Payments are also helping millions of families and workers to make it through these challenging times.

We are monitoring economic conditions closely. Certain industries, such as construction, are recovering quickly, while others, such as retail and travel, are facing longer-term impacts and will require additional relief. We are also sensitive to the fact that certain areas of the country are experiencing increased numbers of cases of the virus. The Coronavirus Task Force, working collaboratively with state and local officials, is helping to ensure that people can work safely in

this environment. We look forward to continued conversations with you and other members of Congress to address these critical issues.

#### **Paycheck Protection Program**

Turning to the PPP, the SBA and Treasury worked together to launch this unprecedented program in record time. The SBA has approved nearly 5 million small business loans for more than \$517 billion to support the employment of over 50 million workers and greater than 80 percent of the small business payroll across the country. This is an extraordinary achievement. We are particularly pleased that 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.

As you might expect with a program of this magnitude, executed on a national scale very rapidly, 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 three subsequent pieces of critical legislation, including the recent extension of time for borrowers to apply. We also reached agreements on a second round of 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.

I look forward to continuing our bipartisan efforts. A next phase of relief should extend the PPP, but on a more targeted basis for smaller companies and those that have been especially hard hit by the pandemic, such as restaurants, hotels, and other travel and hospitality businesses.

#### **Transparency**

The Treasury Department is implementing the CARES Act with transparency and accountability. We have released a significant amount of information on our website. We are also providing information on the government-wide reporting site USAspending.gov, and in updates to Congress. We are cooperating with various oversight bodies, including three inspectors general, the new Congressional Oversight Commission, congressional committees of jurisdiction, the Pandemic Response Accountability Committee, and the Government Accountability Office (GAO).

Regarding the PPP, Treasury and SBA have regularly released data regarding loans, including lender sizes, loan sizes, lending by state, lending by industry, funds remaining, and other information. We released PPP loan-level data in a way that struck the appropriate balance of providing public transparency while protecting the payroll and personal income information of small businesses, sole proprietors, and independent contractors. In addition to these public releases, we have released the complete set of loan-level data to the GAO, this Committee, and

other congressional committees to assist them with carrying out their legislative responsibilities, while maintaining the confidentiality of nonpublic personally identifiable information and commercially sensitive business information.

On other programs, Treasury and the Internal Revenue Service have made data and information regarding the millions of Economic Impact Payments available on their websites and to the GAO. The Department has also posted on Treasury.gov documents and information about all of the Payroll Support Program Agreements we have entered into, loans for air carriers and other eligible businesses, and Coronavirus Relief Fund payments to States, local governments, and Tribes.

We are also pleased that the Federal Reserve has announced plans to add to its existing public disclosures about its liquidity facilities, by posting additional information on its website. Federal Reserve Chairman Powell and I have had very productive initial discussions with the four members of the Congressional Oversight Commission, and we look forward to continuing to work with them.

#### **CARES Act Program Implementation**

In addition to the PPP, Treasury has been hard at work implementing other significant CARES Act programs.

- **Economic Impact Payments:** We distributed nearly 160 million payments totaling nearly \$270 billion in record time.
- **Programs to Support Air Carriers and Other Eligible Businesses:** We have successfully implemented the Payroll Support Program, which makes \$32 billion in financial assistance available to support hundreds of thousands of aviation jobs. In the last two weeks, we announced a significant loan under the CARES Act to support tens of thousands of jobs critical to maintaining national security, as well as anticipated agreements on more than \$20 billion of loans to air carriers. These funds will ensure that these strategically important industries will remain intact, viable, and poised to return to growth.
- **Coronavirus Relief Fund:** From this \$150 billion fund, we have disbursed all of the amount appropriated for state and local governments and nearly all of the amount for tribal governments. In doing so, we have provided recipients with as much flexibility as possible under the statute. We are in the process of reaching out to recipients to receive updates on their current uses of the funds.
- **Federal Reserve Facilities:** We have committed almost \$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.

**Phase Four**

We will be having bipartisan conversations about supplemental relief legislation and hope Congress will pass an additional package by the end of this month. Treasury has already been entrusted with a tremendous amount of funding to inject into the economy. We are closely monitoring the results of these efforts, and we are seeing conditions improve. We anticipate that additional relief will be targeted to certain industries, smaller businesses, and lower- to middle-income families that have been especially hard-hit by the pandemic. Our focus will be on jobs and getting all Americans back to work.

**Conclusion**

I would like to thank the members of the Committee for working with us to help the American people. I would be pleased to answer any questions you may have.

House Small Business Committee  
“Oversight of the Small Business Administration and Department of Treasury Pandemic  
Programs”  
July 17, 2020  
Questions for the Record for Secretary Mnuchin

**Questions for Secretary Mnuchin from Rep. Velazquez**

**Question:**

Mr. Mnuchin, the Wall Street Journal reported that only 12 percent of small businesses in New York City, the early epicenter of the pandemic, received PPP loans, while 20 percent in states much less economically harmed received loans. Clearly, the disparities are based on race **AND** geography. Do you have a plan to address these inequities and run the program in a way that is fair for all small businesses?

**Response:**

The Secretary shares your interest in making the Paycheck protection Program (PPP) available and accessible to as many of America’s job creators and their employees as feasible. The Small Business Administration (SBA) and Treasury engaged in extensive outreach to expand the PPP’s reach. As of August 8, 2020, more than 5.2 million PPP loans had been approved by nearly 5,500 lenders, helping to support an estimated 51 million jobs and more than 80 percent of small business payroll. This includes more than 348,000 loans to borrowers in New York for over \$38.6 billion. 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.

Guidance was issued to all lenders asking them to redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities. As of August 8, 2020, more than 430 Community Development Financial Institutions and Minority Depository Institutions had participated as lenders, approving over 221,000 loans for more than \$16 billion. With an average loan size of approximately \$100,000, the program is serving the smallest of businesses.

**Question:**

Mr. Mnuchin, the Committee has heard reports that some PPP borrowers took less than the amount they were approved for and now many of those borrowers wish they had accepted the full amount. Is there any administrative remedy for such borrowers to go back and accept the remainder of the initial loan amount?

**Response:**

Treasury looks forward to working with Congress on a bipartisan basis to continue to provide much-needed relief to small businesses across the country. This includes examining changes that

can be made to the program through rule changes and improvements that may require statutory changes.

**Questions for Secretary Mnuchin from Rep. Evans:**

**Question:**

Bloomberg News checked the roughly 4.9 million Paycheck Protection Program (PPP) loans against a HUD database that tracks changes in ZIP codes and congressional districts quarterly. The analysis found 226,000 loans where the districts did not match HUD data. Of those, 86 percent were from two states: one of them was my home state of Pennsylvania. What percentage of the Pennsylvania data has the wrong district? How did this mistake happen? When are you going to release corrected data?

**Response:**

Treasury and the Small Business Administration (SBA) are committed to implementing the Coronavirus Aid, Relief, and Economic Security (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. Updated information was posted after the program closed to new loan applications on August 8, 2020.

All applicants for PPP loans are required to provide their lenders with business information, including business address, number of employees, and a number of good-faith certifications. This self-certification approach enabled the rapid delivery of PPP loans to small businesses during a crisis when over 10 million Americans lost their jobs in a two-week period. The publicly released PPP data is based on information submitted by the lender to SBA. SBA has set up a process for lenders and borrowers to request an update by filling out a form and providing a description of any errors with supporting information.

**Question:**

How are the duties of implementing and carrying out the PPP program divided between the SBA and Treasury Department?

**Response:**

Treasury and the SBA have worked closely to implement the PPP program. This close collaboration to stand up an unprecedented program within days, to conduct extensive outreach, to onboard thousands of lenders, and to issue program guidance in order to make loans available and accessible to as many small businesses as feasible has resulted in more than 5 million PPP loans to support an estimated 51 million jobs and more than 80 percent of small business payroll.



**Question:**

A study conducted by the National Community Reinvestment Coalition found that when it came to banks' handling of PPP, Black borrowers were treated worse than white borrowers. Nearly half of the time, the Black borrowers were offered different products and treated significantly worse by employees than white borrowers were. In addition, the study found that males were told they qualified for loans more often than females. Not a single Black female customer was encouraged to apply for a loan by an employee. What are you doing to address discriminatory loan practices? What are you going to do to hold these banks accountable for their discriminatory practices relating to PPP?

**Response:**

Treasury shares your interest in making the PPP available to as many of America's job creators and their employees as feasible, and expects that participating lenders will not discriminate against borrowers that are otherwise eligible under PPP rules. Since enactment of the CARES Act, Treasury and SBA have worked closely with Congress, with borrowers, and with lenders of all sizes—including regional and community banks, Community Development Financial Institutions (CDFIs), and Minority Depository Institutions (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 the 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 Historically Underutilized Business Zones, accounting for more than 25 percent of all PPP funding.

**Questions for Secretary Mnuchin from Rep. Houlahan:****Question:**

According to analysis from EconOne, approximately 60% of all trade and credit insurance policyholders are small and medium-sized enterprises. It is my understanding that the market dynamics created by the COVID-19 pandemic have led trade and credit insurers to suspend or modify many policies. What is the Treasury Department's view of the issue of shrinking TCI

options for small businesses, and does the Administration plan to take any action to create a backstop for these programs so that trade credit insurers can begin to offer coverage again?

**Response:**

Treasury is monitoring TCI issues for small businesses and looks forward to working with you and other stakeholders to help respond to the challenges created by the COVID-19 global pandemic.

**Question:**

Are the Small Business Administration and Treasury Department committed to continually updating public-facing repositories of data regarding Paycheck Protection Program borrowers, including if the program is extended or modified by Congress in the future? What steps are you taking to confirm the accuracy of data in this reporting?

**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. Updated information was posted after the program closed to new loan applications on August 8, 2020.

The publicly released PPP data is based on information submitted by the lender to SBA. SBA has set up a process for lenders and borrowers to request an update by filling out a form and providing a description of any errors with supporting information.

**Question:**

Do you support streamlining the process for forgiveness of PPP loans under \$150,000? Will SBA and Treasury prioritize collecting data on the beneficiaries of this program and the way that the funding was used, so that we can make informed decisions regarding small business emergency relief programs going forward?

**Response:**

Treasury and SBA have posted a revised, borrower-friendly standard forgiveness application (Form 3508), as well as an "EZ" version (Form 3508EZ) 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. 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. 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.

Treasury looks forward to working with Congress on a bipartisan basis to continue to provide much-needed relief to small businesses across the country. This includes examining changes that can be made to the program through rule changes and improvements that may require statutory changes.

**Question for Secretary Mnuchin from Rep. Hern:**

**Question:**

On April 30, the Treasury Department published an interim final rule to allow seasonal employers to use an additional criterion for determining their eligible payroll costs for any covered period between May 1 and September 15. This allowed seasonal employers who had summer seasons to use their actual payroll costs, which most all rely on for their revenues for the full year.

However, this regulation did not allow any seasonal employer who had previously applied for a PPP loan to use this new covered period. Therefore, on May 19, SBA published in the Federal Register an additional interim final rule that allowed for seasonal employers to request a one-time additional disbursement utilizing the new covered period.

Unfortunately, this new interim final rule did not allow for this disbursement if the seasonal employer's lender had already filed SBA Form 1502. In addition, the time requirements placed on lenders to file Form 1502 meant that few had the opportunity to seek the additional, needed funds.

Would you commit to addressing this issue and allow seasonal employers whose lenders have filed a form 1502 to make that additional distribution with any remaining funds in the PPP program?

**Response:**

Treasury respectfully refers you to SBA for additional information about the Form 1502 reporting process.

**Questions for Secretary Mnuchin from Rep. Burchett:**

**Question:**

What guidance is available for people who are eligible for the EIP but are still receiving "Payment Status Not Available" when they check their status on the Get My Payment portal?

**Response:**

The Internal Revenue Service (IRS) has provided guidance through a press release<sup>1</sup> and a Frequently Asked Question (FAQ) on the IRS's "Get My Payment Frequently Asked Questions" website.<sup>2</sup> The FAQ provides potential reasons for a "Payment Status Not Available" response to a "Get My Payment" application.<sup>3</sup> With regard to eligible individuals required to file a tax return, potential reasons include (i) the IRS has not finished processing the individual's 2019 return, and (ii) the "Get My Payment" application does not have the individual's required data. For eligible individuals who do not usually file a return and have used the "Non-Filers: Enter Payment Info Here" tool, the FAQ provides that the IRS might not yet have processed the individual's entry. Lastly, the FAQ provides that the individual might not be eligible for an economic impact payment (EIP).

**Question:**

Does the IRS plan to make a portal for folks who are eligible for an EIP but still haven't received a check to submit their information/notify Treasury that they have been left out?

**Response:**

The IRS urges every eligible non-filer to use the "Non-Filers: Enter Payment Info Here" tool to receive their payment quickly. Individuals who register by November 21 will receive their EIP by the end of this year. For questions about Economic Impact Payments, individuals should go to <https://www.irs.gov/coronavirus/economic-impact-payment-information-center> or call 1-800-919-9835.

**Question:**

When is the estimated completion date for all stimulus payments to be distributed?

**Response:**

The CARES Act instructed that EIPs should be made as rapidly as possible and be completed by the end of this year. At this time, the IRS has made payments to all eligible individuals for whom the IRS has the necessary information to do so and continues to make additional payments as new information is provided and processed. The IRS urges every eligible non-filer to use the "Non-Filers: Enter Payment Info Here" tool to receive their payment quickly. Individuals who register by November 21 will receive their EIP by the end of this year.

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<sup>1</sup> See <https://www.irs.gov/newsroom/treasury-irs-unveil-online-application-to-help-with-economic-impact-payments>.

<sup>2</sup> See <https://www.irs.gov/coronavirus/get-my-payment-frequently-asked-questions#paymentnot>.

<sup>3</sup> See *id.* (located under the heading "Payment Status Not Available").

**Questions for Secretary Mnuchin from Rep. Bishop:****Question:**

Many constituents were told they were not eligible for the EIP based on their 2018 tax return. However, their 2019 income was much lower, and they were told that the IRS could not change their decision this year even though they qualify for the EIP based on their 2019 return. They have been told they have to wait until next year to request a credit on their 2020 tax return. The problem is that these people need this payment now, and do not understand why the IRS cannot issue them an EIP based on their 2019 return. Is the IRS working on a remedy for these taxpayers so that they can get the EIP this year as promised originally?

**Response:**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act requires that Economic Impact Payments be based on 2019 or 2018 tax returns or payment information for certain federal benefits. To meet the CARES Act requirement that payments be issued as rapidly as possible, the Internal Revenue Service (IRS) quickly developed a system that determines eligibility and computes the EIP at a point in time. The system deployed to provide the most EIPs possible as quickly as possible is not amenable to revisiting the eligibility determination. If eligible, the taxpayer may claim the recovery rebate credit when filing a 2020 tax return.

To successfully distribute EIPs as the CARES Act directs, if a 2019 tax return had already been processed when calculating the eligible EIP amount, information from that return was used to issue the EIP. If the taxpayer had not filed a 2019 return or it had not yet been processed, information from the 2018 return was used to calculate the amount and issue the EIP. If the recipient received a larger payment than that to which they were entitled, no repayment will be required unless that recipient who received the EIP was not an eligible individual. If the recipient is not an eligible individual, they should return or repay the payment. Information regarding eligibility and returning a payment, as well as answers to additional EIP-related questions can be found on the IRS' Economic Impact Payment Center at <https://www.irs.gov/coronavirus/economic-impact-payment-information-center>.

Unlike normal tax returns and refunds, numerous systemic and processing challenges are involved with determining the proper EIP amounts due to the complexity of accounting for the various circumstances of the many differently situated individuals who are eligible for an EIP. These issues and complexities created challenges for IRS programmers whose aim was to take into account as many taxpayer situations as possible to compute the correct EIP amounts. At this time, the IRS is not able to reconsider recipients who were deemed ineligible for the EIP based on their 2018 tax return (even if we later received a 2019 tax return that would make them eligible for an EIP). As mentioned earlier, the EIP was based on the most current information the IRS had, as directed by the legislation and, if eligible, the taxpayer can claim any additional credit to which they are entitled when they file a 2020 tax return.

**Question:**

In some cases, the IRS indicated that a constituent was not eligible for the EIP because the IRS is relying on information that the constituent believes is incorrect. When the constituent disputes this or any information that may disqualify them from receiving the EIP, the IRS has responded that they do not have a remedy for this situation and are not able to verify any possible incorrect information. Their only recourse is to file for a credit on their 2020 tax return. Again, this is a long time to wait for people who have a financial hardship and need the money now. What remedy for this type of situation is being considered?

**Response:**

Please see response to question #1.

**Question:**

Initially when EIPs were first being issued in April and some constituents were not receiving theirs, my staff was told we could not inquire about these outlier problems. Finally, when the IRS allowed inquiries from Congressional offices in late May, we were told it would take up to two weeks to respond to the inquiries. Then, that quickly grew to 2-3 weeks, and now my office has several that were submitted almost 8 weeks ago, that have not received a response yet. These constituents need these payments now, and they are very frustrated because they have not received any information about their EIP. What is the IRS doing to improve the response time for these Congressional inquiries?

**Response:**

The IRS is taking numerous steps to improve system response time, reduce existing backlogs, and resolve inquiries submitted to the EIP Congressional Mailbox in a timely manner.

To overcome these operational challenges, the IRS has allocated additional staffing and developed procedures to expedite inquiries. The IRS also is assigning more frontline, experienced Customer Service Representatives (CSRs) who are trained in account resolution to respond to the inquiries. The IRS plans to assign up to 5 percent of all CSR resources to assist with the inquiries.

To mitigate the technological challenges associated with the unexpectedly high volume of emails, the IRS moved these emails to a large capacity internal web-based platform that is designed to handle the increased volumes and number of users.

We will continue to identify solutions that enhance our ability to provide information and updates regarding EIPs issued under the CARES Act or any other legislation that may be enacted.

**Question:**

The IRS has said in some cases, an IRS representative will contact the constituent directly by phone which is not normally done by the IRS. We have heard from some constituents that they do not answer the phone if they don't recognize the phone number. In other cases, the constituent was called, and the IRS representative said they would follow-up with our office but haven't done so. In order to reduce the delay in resolving these cases, and since these cases were submitted by Congressional offices, could the IRS modify their response procedures and email the required information needed from the constituents to the Congressional office as well as attempt to contact the constituents directly?

**Response:**

Resolving constituent EIP cases is often a complex process necessitating IRS personnel to obtain additional taxpayer information and make account adjustments. Given the unexpected high volume of EIP inquiries, the IRS has developed new operational procedures, modified technology, and redeployed IRS personnel from other priority operations to assist with these issues.

The IRS follows up with IRS Legislative Affairs on the status and resolution of a constituent's inquiry, which in turn provides this information to the Congressional office. If the constituent wants to call the IRS EIP line, the contractors have been informed to transfer the call directly to an IRS representative.

Resolving the cases has been a priority for the IRS. As the IRS continues to resolve constituent cases, it has needed to refine its operations for doing so, and the IRS will continue to do so to address fluctuating volume and to assist both taxpayers and Congressional offices in the most efficient and taxpayer-friendly manner.

**Question:**

Many constituents receive federal benefits such as Social Security, Veteran's Benefits, etc., and did not receive their EIP when other federal benefit recipients did. They do not understand why they have been left out since the U.S. Government already has their bank information for the federal benefits. What has the IRS done to improve the timely processing of this type of EIP deposit for these recipients?

**Response:**

Most Social Security, Supplemental Security Income, Railroad retiree, and VA beneficiaries should have already received the EIP to which they are entitled. Individuals who have not received a payment may need to review the eligibility requirements. U.S. citizens, permanent residents, and qualifying resident aliens are eligible to receive an EIP if they (i) have a work-eligible social security number, (ii) could not be claimed as a dependent of another taxpayer, and (iii) had an adjusted gross income under certain limits. These individuals may check the Get My

Payment application to review the status of their payment.

Further, while most Social Security, SSI, RRB, or VA benefit recipients received their payment automatically, some may need to provide their information by November 21 if they have not received their payment yet, as it is possible that the IRS does not have enough information to determine their eligibility. In this case, individuals who do not have a filing obligation may submit their information via the “Non-Filers: Enter Payment Info Here” portal online by November 21 to receive a payment this year.

**Question:**

Some of the IRS representatives that are calling constituents are not always able to give accurate or helpful information. What training is being implemented so that these IRS employees can respond better to the constituents’ questions about their EIP?

**Response:**

All IRS CSRs answering calls into the IRS’s EIP Help Line are given a minimum of 8.5 weeks of training and about 3 weeks of coaching with an On the Job Instructor (for remote phone-only CSRs), or about 10 weeks of training and about 3 weeks of On the Job Instructor coaching (for campus phone and paper CSRs) to handle such account issues. These assistants were then given additional training on EIPs so they could do account lookup for those requesting information about their EIP.

**Question:**

The IRS sent debit cards to some constituents, and we heard from family members of elderly parents who were not able to use a debit card because they lived in senior living facilities and were not mobile. If another EIP is issued, will debit cards be issued? If so, what factors will be used to determine who receives a debit card versus a check or direct deposit to a bank?

**Response:**

Treasury plans to continue its efforts to maximize the use of direct deposit and eligible Americans are encouraged to provide their direct deposit information through the IRS’s Get My Payment portal. When the IRS lacks direct deposit information for eligible recipients, Treasury makes payments by check or debit card. Treasury is evaluating the execution of the CARES Act EIP project and will carry lessons learned into projects that feature similar elements as the EIP project.

**Question:**

What happens to the EIP of the absent parent who owes child support because that person is not eligible to receive one? The parent who is supporting the children would like the EIP that is due to the absent parent to be given to them. What is the IRS’ position on this situation?



**Response:**

Under the laws governing offset, if a non-custodial parent is not entitled to a payment, the payment generally cannot be applied to reduce their child support debt.

**Question:**

“With the passage of Title I of the CARES Act and loan forgiveness provided under the Paycheck Protection Program (PPP), it’s obvious that Congressional intent was to foster business continuity during the coronavirus pandemic. Business owners keeping up with their insurance premiums affords that continuity – especially during the ongoing hurricane season. However, many businesses could be left unprotected, as a misinterpretation of the CARES Act could prevent PPP loan recipients from having loan funds spent on insurance premiums from being forgiven. These expenses should count as a forgivable expense under the program, per the wishes of Congress.

- I. If a business uses PPP loans towards payments of insurance premiums, will those payments be considered forgivable under the program?
- II. Will guidance be provided to clarify this matter, and if so, when?

**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, fact sheets, program reports, and other documents to address specific lender and borrower questions about eligibility and the application and forgiveness process, among other topics. This contained detailed instructions on applying for loan forgiveness, including descriptions of forgivable payroll and non-payroll expenses. For example, employer payments required for the provision of group health care benefits, including insurance premiums for vision and dental benefits, are eligible for loan forgiveness. Please see Treasury’s website for more information about whether particular expenses are forgivable.



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

OFFICE OF CAPITAL ACCESS

May 19, 2020

Ruth Lytle-Barnaby  
Planned Parenthood of Delaware, Inc.  
625 N. Shipley Street  
Wilmington, DE 19801

Re: Notice of Investigation and Request for Records

Dear Ms. Lytle-Barnaby:

Planned Parenthood of Delaware, Inc. ("PPD") applied for a loan through the Paycheck Protection Program. In its loan application, PPD self-certified that it is eligible for a Paycheck Protection Program loan. PPD, however, is a local affiliate of Planned Parenthood Federation of America, Inc. ("PPFA"). We have preliminarily concluded, therefore, that PPD is ineligible for a Paycheck Protection Program loan under the applicable affiliation rules and size standards, consistent with Congressional intent, and that the loan you have received should be returned. If you wish to contest our preliminary conclusion, the Small Business Administration ("SBA") will conduct an investigation pursuant to Section 5(b)(11) of the Small Business Act<sup>1</sup> to assess PPD's eligibility for a Paycheck Protection Program loan and the basis for PPD's eligibility certification.

PPD, which is identified as a PPFA "local office" on PPFA's website<sup>2</sup>, applied for a \$496,225 Paycheck Protection Program loan. This is one of 38 loans that PPFA local affiliates have applied for through the Paycheck Protection Program. In total, PPFA local affiliates have applied for more than \$80 million in Paycheck Protection Program loans.

To obtain its loan, PPD certified in its Paycheck Protection Program Borrower Application Form that "[t]he Applicant is eligible to receive a loan under the rules in effect at the time this application is submitted that have been issued by the Small Business Administration (SBA) implementing the Paycheck Protection Program . . ."<sup>3</sup> By making this certification, PPD represented that it, when considered together with all of its affiliates, has 500 or fewer employees.<sup>4</sup>

<sup>1</sup> 15 U.S.C. § 634(b)(11) (authorizing the Administrator of the Small Business Administration ("SBA") to "make such investigations as he deems necessary to determine whether a recipient of or participant in any assistance under [the Small Business Act] or any other person has engaged or is about to engage in any acts or practices which constitute or will constitute a violation of any provision of . . . , or of any rule or regulation under [the Small Business Act] . . .").

<sup>2</sup> Planned Parenthood Federation of America, Local Offices, *Contact Us available at* <https://www.plannedparenthood.org/about-us/contact-us>.

<sup>3</sup> SBA Form 2483.

<sup>4</sup> Small Business Administration, Business Loan Program Temporary Changes; Paycheck Protection Program, Affiliate Rules for Paycheck Protection Program, 85 Fed. Reg. 20817, 20818-19 (Apr. 15, 2020) ("In most cases, a borrower will be considered together with its affiliates for purposes of determining eligibility for the PPP. . . . An entity generally is eligible for the PPP if it, combined with its affiliates, . . . (1) has 500 or fewer employees whose

To make such a certification properly, PPD was required to apply the affiliation rules applicable to the Paycheck Protection Program<sup>5</sup> and identify its affiliates.<sup>6</sup> Those affiliation rules provide, among other things, that: “Concerns and entities are affiliates of each other when one controls or has the power to control the other, or a third party or parties controls or has the power to control both. It does not matter whether control is exercised, so long as the power to control exists.”<sup>7</sup> For example, affiliation can arise from management:

**(3) Affiliation based on management.** Affiliation arises where the CEO or President of the applicant concern (or other officers, managing members, or partners who control the management of the concern) also controls the management of one or more other concerns. Affiliation also arises where a single individual, concern, or entity that controls the Board of Directors or management of one concern also controls the Board of Directors or management of one or more other concerns. Affiliation also arises where a single individual, concern or entity controls the management of the applicant concern through a management agreement.<sup>8</sup>

PPFA is known to have and to exercise control over its local affiliates, such as PPD. PPFA’s bylaws, a version of which is publicly available, reveal that becoming a PPFA affiliate requires a certification by the PPFA board.<sup>9</sup> Once certified, “[e]ach Affiliate shall be governed by written bylaws which conform to PPFA policies.”<sup>10</sup> PPFA imposes 17 “affiliation mandates” on local affiliates on topics ranging from medical standards and guidelines to policies regarding inter-affiliate patient transfers.<sup>11</sup> To maintain their PPFA affiliation, affiliates must submit to a rigorous PPFA accreditation review every three years.<sup>12</sup> PPFA affiliates that fall short of PPFA’s standards

principal place of residence is in the United States . . . and (2) is a tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC) . . .”).

<sup>5</sup> See 15 U.S.C. § 636(a)(36)(D)(vi); 13 C.F.R. § 121.103; 85 Fed. Reg. at 2018-19.

<sup>6</sup> Paycheck Protection Program Loans, Frequently Asked Questions (FAQs), 4-5 (“It is the responsibility of the borrower to determine which entities (if any) are its affiliates and determine the employee headcount of the borrower and its affiliates.”).

<sup>7</sup> Affiliation Rules Applicable To U.S. Small Business Administration Paycheck Protection Program (Apr. 3, 2020), available at <https://www.sba.gov/sites/default/files/202004/Affiliation%20rules%20overview%20%28for%20public%29%20v2.pdf>.

<sup>8</sup> *Id.*

<sup>9</sup> Amended and Restated Bylaws of the Planned Parenthood Federation of America, Inc., As Amended by the Membership at its Meeting on March 29, 2008 [hereinafter PPFA Bylaws], Art. II, § 1(ii) (attached to PPFA’s 2007 tax return), available at [https://projects.propublica.org/nonprofits/display\\_990/131644147/2009\\_05\\_EO%2F13-1644147\\_990\\_200806](https://projects.propublica.org/nonprofits/display_990/131644147/2009_05_EO%2F13-1644147_990_200806).

<sup>10</sup> *Id.* at Art. XI, § 4(i).

<sup>11</sup> *Id.* at Art. XI, § 5.

<sup>12</sup> Planned Parenthood Hudson Peconic provided the following description of PPFA’s accreditation program:

Every three years, each Planned Parenthood affiliate undergoes accreditation, which involves a review of all aspects of the organization—from health services to fiscal operations to fundraising to board governance and more. We prepared for this extremely intensive process for months. Experts from PPFA’s offices reviewed all our procedures, interviewed and observed staff members, and toured our health centers. We are happy to report that we obtained full accreditation and remain in excellent standing with our national organization.

Planned Parenthood Hudson Peconic, 2014 Annual Report 1, available at [https://www.plannedparenthood.org/files/8714/4200/2638/PPHP\\_2014\\_AR\\_Final\\_for\\_website.pdf](https://www.plannedparenthood.org/files/8714/4200/2638/PPHP_2014_AR_Final_for_website.pdf).

or jeopardize PPFA's trademark are stripped of their affiliation.<sup>13</sup> PPFA also mandates the services that each local affiliate must provide, including requiring each local affiliate to perform on-site abortions; local affiliates unable or unwilling to comply with this PPFA mandate have been forced to leave the PPFA network.<sup>14</sup> Ultimately, PPFA determines which affiliates become and remain a part of the "Federation," which PPFA defines as itself and the affiliates collectively.<sup>15</sup>

Yet, PPD did not identify PPFA or any of PPFA's other local offices as affiliates—despite being identified as an affiliate of PPFA on PPFA's website. Indeed, PPD could not have certified that it was eligible for a Paycheck Protection Program loan if it is affiliated with PPFA or any of PPFA's other local offices. PPFA alone reported employing 676 people in 2017,<sup>16</sup> and presently there are 49 local PPFA affiliates nationwide.<sup>17</sup>

On its face, PPD's status as a local affiliate in the nationwide PPFA network subject to direction from PPFA on a number of management issues makes PPD ineligible for a Paycheck Protection Program loan under the applicable affiliation rules and size standards. If you wish to dispute that assessment, then pursuant to the Administrator's investigative authority, SBA requests that PPD demonstrate the basis for its certification that it is eligible for a Paycheck Protection Program loan. SBA also requests that PPD produce documents concerning PPD's eligibility certification within 10 calendar days of receipt of this letter. SBA's specific document requests are set forth in Attachment A to this letter.

Incorrect or false eligibility certifications by borrowers are subject to severe penalties. If SBA determines that a borrower made an eligibility certification that was incorrect or lacked adequate basis, SBA may seek repayment of the Paycheck Protection Program loan, and the borrower may be ineligible for loan forgiveness. If SBA determines that a borrower made a knowingly false certification on an application for a Paycheck Protection Program loan, SBA may refer the borrower for appropriate civil or criminal penalties.

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<sup>13</sup> For example, PPFA disaffiliated Planned Parenthood Golden Gate and reassigned its patients to other Planned Parenthood clinics. Katharine Mieszkowski, *Planned Parenthood Clinics Are Stripped of Affiliation After Complaints*, The New York Times (Aug. 28, 2020), available at <https://www.nytimes.com/2010/08/29/us/29bcparenthood.html>. PPFA also commenced disaffiliation proceedings against Planned Parenthood of Hawaii on the grounds that the local affiliate failed "to meet PPFA's national standards medically and financially." Lori Tighe, *Isle Planned Parenthood Gains Support*, Star-Bulletin (1998), available at <http://archives.starbulletin.com/98/01/13/news/story3.html>.

<sup>14</sup> M. Alex Johnson, *Abortion mandate costs Planned Parenthood a few affiliates*, NBC News (Dec. 6, 2012), available at [http://usnews.nbcnews.com/\\_news/2012/12/06/15702142-abortion-mandate-costs-planned-parenthood-a-few-affiliates](http://usnews.nbcnews.com/_news/2012/12/06/15702142-abortion-mandate-costs-planned-parenthood-a-few-affiliates).

<sup>15</sup> PPFA Bylaws, Art. II, § 1(vi).

<sup>16</sup> PPFA 2017 tax return (publicly disclosed), available at [https://www.plannedparenthood.org/uploads/filer\\_public/3b/75/3b757e47-d559-4cd7-b9a9-e17bc6c75280/ppfa\\_fy18\\_990\\_-\\_public\\_disclosure.pdf](https://www.plannedparenthood.org/uploads/filer_public/3b/75/3b757e47-d559-4cd7-b9a9-e17bc6c75280/ppfa_fy18_990_-_public_disclosure.pdf).

<sup>17</sup> Planned Parenthood, *Who We Are* (stating that PPFA has 49 local affiliates nationwide), available at <https://www.plannedparenthood.org/about-us/who-we-are>.

Sincerely,

A handwritten signature in cursive script, appearing to read "William Manger".

William Manger  
Associate Administrator  
U.S. Small Business Administration

Attachment A**Document Requests**

1. All documents that evidence, reflect, relate to, or describe in any way the relationship between PPD and PPFA, including but not limited to articles of incorporation, bylaws, affiliation standards, management agreements, memoranda of understanding, financial statements, medical standards, policies, procedures, directories, organizational charts, and communications evidencing directions, guidance, or control from PPFA over PPD's management.
2. All documents that evidence, reflect, relate to, or describe in any way the relationship between PPD and other PPFA local affiliates, including but not limited to articles of incorporation, bylaws, affiliation standards, management agreements, memoranda of understanding, financial statements, medical standards, policies, procedures, directories, and organizational charts.
3. All documents that evidence, reflect, relate to, or describe in any way PPFA's "accreditation criteria" for local affiliates.
4. All documents that evidence, reflect, relate to, or describe in any way PPD's accreditation as a PPFA affiliate, including but not limited to PPFA's accreditation of PPD as a new affiliate, PPFA's renewal of PPD's affiliation, and any actions taken by PPFA to discipline PPD, place PPD on probation, or suspend or terminate PPD's affiliation with PPFA.
5. All documents that evidence, reflect, relate to, or describe in any way any contractual agreements between PPFA and PPD.
6. All documents that evidence, reflect, relate to, or describe in any way any payments or other financial transactions between PPFA and PPD within the past two years.
7. All documents that PPD provided to its lender to apply for a Paycheck Protection Program loan, including but not limited to, the Paycheck Protection Program Borrower Application Form and the documentation that PPD provided to the lender to verify the number of full-time equivalent employees on PPD's payroll.
8. All documents relating to the basis for PPD's certification on the Paycheck Protection Program Borrower Application Form that PPD is eligible to receive a Paycheck Protection Program loan.
9. All documents relating to the basis for PPD's certification that PPD applied the affiliation rules applicable to the Paycheck Protection Program and concluded that PPD, when combined with its affiliates, is eligible to receive a Paycheck Protection Program loan. Requested documents include, but are not limited to, all documents reflecting PPD's application of the affiliation rules, which entities PPD concluded are its affiliates, how PPD calculated the combined

employee headcount of PPD and its affiliates, and the combined employee headcount of PPD and its affiliates.

10. All documents that PPD referenced or relied upon when applying the affiliation rules.

11. All communications concerning PPD's application for a Paycheck Protection Program loan. Requested documents include but are not limited to communications between PPD, PPFA, and other PPFA local affiliates.

12. All documents relating to PPD's determination of whether it has common management with any other entity. Requested documents include but are not limited to any documents that PPD referenced or relied upon in answering the following question on the Paycheck Protection Program Borrower Application Form: "Is the Applicant or any owner of the Applicant an owner of any other business, or have common management with, any other business? If yes, list all such businesses and describe the relationship on a separate sheet identified as addendum A."

13. All documents relating to the basis for PPD's certification on the Paycheck Protection Program Borrower Application Form that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of" PPD.

14. All documents relating to the basis for PPD's certification on the Paycheck Protection Program Borrower Application Form that "[t]he funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments, and utility payments, as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud."

#### **Definitions and Instructions**

1. "Communication" means any exchange or transmittal of information by any means of transmission, including without limitation, face-to-face conversation, mail, overnight delivery, Internet, telephone, electronic mail, or facsimile.

2. "Document" is intended to be interpreted in its broadest possible sense and means the complete original or a true, correct, and complete copy and any non-identical copies of any written or graphic manner, no matter how produced, recorded, stored, or reproduced, including but not limited to, any writing, letter, envelope, telegram, electronic mail, message, computer file, meeting minute, memorandum, statement, book, record, survey, map, study, handwritten note, working paper, chart, tabulation, graph, tape, data sheet, data processing card, printout, microfilm, index, appointment book, diary, diary entry, calendar, calendar entry, desk pad, telephone message slip, note of interview or communication or any other data compilation in your possession, custody, or control, including all drafts of all such documents, and documents provided to your counsel.

3. The singular form of a noun or pronoun includes the plural form, and the plural form includes the singular.

4. The connectives "and" and "or" shall be construed either disjunctively or conjunctively as necessary to bring within the scope of a Request all documents that otherwise might be construed to be outside of its scope.

5. For purposes of interpreting or construing the scope of these Requests, the terms used shall be given the most expansive and inclusive interpretation, unless otherwise specifically limited in the Request.

6. PPD shall produce responsive documents as they have been kept in the usual course, or shall organize and label the documents to correspond to the enumerated requests. If there is no document responsive to any particular category, PPD shall so state in writing.

7. If PPD withholds any document responsive to a Request under a claim of privilege, they shall, for each such withheld document, provide a description of the document and a statement of the basis upon which the privilege asserted is claimed.

8. In the event that any document called for hereby was formerly in the possession, custody, or control of PPD and has been lost or destroyed, that document is to be identified in writing as follows: (a) addressor, addressee, person who prepared or authorized the document, indicated or blind copies; (b) date of preparation of transmittal; (c) subject matter; (d) number of pages, attachments, or appendices; (e) all persons to whom distributed; (f) date of loss or destruction; and (g) if destroyed, the manner of destruction, reason for destruction, persons authorizing destruction and persons destroying the document.





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**National Association of Federally-Insured Credit Unions**

July 16, 2020

The Honorable Nydia Velázquez  
Chairwoman  
Committee on Small Business  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Steve Chabot  
Ranking Member  
Committee on Small Business  
U.S. House of Representatives  
Washington, D.C. 20515

**Re: Tomorrow's hearing on the Oversight of the Small Business Administration and Department of Treasury Pandemic Programs**

Dear Chairwoman Velázquez and Ranking Member Chabot:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing titled "Oversight of the Small Business Administration and Department of Treasury Pandemic Programs." 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 Small Business Administration's (SBA) 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 such as the simplification of the loan forgiveness process.

NAFCU believes it is important to simplify the loan forgiveness process and application for smaller PPP loans. While credit unions are working with their members to assist them with the current loan form, 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. We were pleased to see the SBA take steps to address this with the creation of the 3508EZ form, but NAFCU members report that they do not see a huge difference in terms of processing the application as they still need to verify expenses and supporting documentation to ensure that they are meeting the lender requirements.

An analysis of SBA's PPP data shows that credit unions have been making PPP loans in amounts much lower than the national average, with the credit union average PPP loan just over \$50,000. As such, NAFCU is supportive of a simplified loan forgiveness process for PPP loans under a \$150,000 threshold, such as proposed in S. 4117, the *Paycheck Protection Small Business Forgiveness Act*. This bipartisan Senate proposal would simplify the loan forgiveness process for loans under \$150,000 to a one-page form. Loans under \$150,000 account for 86.5 percent of PPP

The Honorable Nydia Velázquez  
The Honorable Steve Chabot  
July 16, 2020  
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recipients but only account for approximately 27 percent of the funds disbursed by the SBA. This level would cover most 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 or simplified forgiveness significantly outweigh the potential risks. Moreover, such a simplified forgiveness process 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.

Additionally, when it comes to forgiveness, it is important that the SBA and Treasury Department publish a comprehensive procedural notice of how lenders can upload and submit their loan forgiveness applications. The SBA and Treasury need to publish this as soon as possible, as members are beginning to submit their applications. Guidance on the appeal and denial process would also be helpful. The regulations provide the general framework but leave a lot of questions unanswered because the SBA expects to publish a separate rule regarding this. However, as credit unions gear up for reviewing and approving forgiveness applications, they need to know what to do in the case of a denial or an appeal made by a member. We hope the Committee will address these issues at tomorrow's hearing.

As the Committee evaluates the implementation of pandemic lending programs, we strongly urge you to consider the concerns of the nation's credit unions and the 120 million Americans they serve that we have outlined in this letter. During times of economic crisis, credit unions always focus on their members and doing all that they can to help. We thank you for the opportunity to share our members' concerns in advance of this hearing.

Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at 703-258-4981.

Sincerely,



Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the House Small Business Committee

