

United States Senate

WASHINGTON, DC 20510-1309

March 24, 2021

SUBMITTED VIA ELECTRONIC DELIVERY

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

Dear Administrator Guzman:

Congratulations on your recent confirmation as Administrator of the Small Business Administration (SBA). I am grateful for all your efforts to meet the many needs of our Nation's small businesses, and I look forward to working with you in this important role.

As you begin your tenure, I write to request prioritization of an issue of continued interest and concern to many of my constituents: the new, simplified loan forgiveness process for the Paycheck Protection Program (PPP). I am concerned that SBA may be misinterpreting Congressional intent as it relates to forgiveness for first-round PPP loans, and that such interpretations are creating unnecessary bottlenecks for loan borrowers of all sizes. It is vital that borrowers have a timely process for PPP loan forgiveness, and I ask that you prioritize this issue so that borrowers can reduce time spent on loan forgiveness and redirect their resources to building back better as we recover from the COVID-19 pandemic.

As you know, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (or Division N, Title III of the Consolidated Appropriations Act of 2021) established a simplified forgiveness process for PPP loans of up to \$150,000.¹ The legislation was explicit in its intent. For instance, Section 307 of the law instructs the Administrator to establish a simplified loan application form that "shall not be more than 1 page in length" and "shall *only* require" descriptions, estimates and attestations (emphasis added). It went even further, noting that "[a]n eligible recipient of a covered loan that is not more than \$150,000 shall not, at the time of the application for forgiveness, be required to submit any application or documentation in addition to the certification and information required to substantiate forgiveness."

According to data from the SBA, loans under \$150,000 accounted for roughly 77 percent of all loans distributed through PPP last year, and they account for over 90 percent of loans distributed this year.^{2,3} Community financial development institutions (CDFIs) have distributed a significant portion of these smaller-dollar loans, with the average size of a CDFI loan being approximately \$65,000, or roughly 35 percent lower than the average for all PPP lenders.⁴ In addition, ease of access and processing for these loans is critical to the smallest

¹ *Consolidated Appropriations Act, 2021*, Pub. L. No. 116-260 (2020) <https://www.congress.gov/bill/116th-congress/house-bill/133/text>

² Small Business Administration, *Paycheck Protection Program (PPP) Report*. Washington, DC, 2021. Accessed March 18, 2021. https://www.sba.gov/sites/default/files/2021-03/PPP_Report_Public_210314-508.pdf

³ Small Business Administration, *Paycheck Protection Program (PPP) Report* §. Washington, DC, 2021. Accessed March 18, 2021. https://www.sba.gov/sites/default/files/2020-08/PPP_Report%20-%202020-08-10-508.pdf

⁴ *Small Business in Crisis: The 2020 Paycheck Protection Program and its Future: Testimony before the Senate Committee on Small Business and Entrepreneurship*, 116th Cong., 2nd sess., December 10, 2020 (statement of Dafina Williams, Senior Vice President, Public Policy Opportunity Finance Network) https://www.sbc.senate.gov/public/_cache/files/1/0/10733234-b3cd-4251-b1b2-9f9afb40428e/BFDC11B7B14E0662C75F14AA2683CAAE.williams-testimony.pdf

of small businesses, who may lack the banking relationships often associated with rapid, early dispersal of PPP loans at the onset of the COVID-19 pandemic.⁵

Upholding the Congressional intent for a simplified and unencumbered process, especially for smaller dollar loans, is vital to our economic recovery, especially in communities of color. A Brookings Institute analysis noted that small businesses in majority-Black neighborhoods already saw a loan dispersal process that was, on average, seven days slower than the process for their counterparts in majority-white neighborhoods.⁶ Many simply cannot afford an unnecessary delay. According to a recent testimony before the Senate Small Business Committee, “nearly 72 percent of small businesses report the pandemic had a moderate or large negative impact on their business,” while 79 percent of Asian-owned firms and 77 percent of Black-owned firms say their financial condition is either “fair” or “poor.”⁷

Unfortunately, according to that same testimony, SBA may be diverting from the Congressional intent as it relates to these loans.⁸ Specifically, it appears that SBA is conducting “onerous” reviews of such loans, rather than offering the streamlined process Congress sought to create.⁹ We are concerned that this is causing bottlenecks for small dollar borrowers, and may be creating delays through the entire PPP loan forgiveness spectrum. For instance, while Congress maintained requirements for documentation on larger dollar loans, there are also reports that many such borrowers are receiving no guidance or feedback on applications submitted “for three or four months.”¹⁰

We know SBA is working diligently to process these loans, and there are a number of efforts Congress has asked the agency to lead as part of our economic recovery. We stand ready to assist in any way to ensure the loan forgiveness process is as simplified as possible for small-dollar borrowers, and that all PPP participants are able to receive timely updates and clarifications from SBA. We appreciate your attention to this matter, and we look forward to working with you as part of our ongoing efforts to rebuild our economy and uplift our Nation’s small businesses.

Thank you for your consideration of this important issue.

Sincerely,



Tammy Duckworth
United States Senator

⁵ Id.

⁶ Liu, Sifan, Joseph Parilla. “New Data Shows Small Businesses in Communities of Color Had Unequal Access to Federal COVID-19 Relief.” *Brookings Institution*, September 18, 2020. <https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/>

⁷ https://www.sbc.senate.gov/public/_cache/files/f/e/fe1926a8-ef31-4541-8bfe-99bffe61a7c/7DBA325C2B6C53A055608FEF0E922F83.mensah-testimony.pdf

⁸ *The Paycheck Protection Program: Performance, Impact, and Next Steps: Testimony before the Senate Committee on Small Business and Entrepreneurship* 117th Cong., 1st sess., March 17, 2021 (statement of Lisa Mensah, President and CEO, Opportunity Finance Network)

https://www.sbc.senate.gov/public/_cache/files/f/e/fe1926a8-ef31-4541-8bfe-99bffe61a7c/7DBA325C2B6C53A055608FEF0E922F83.mensah-testimony.pdf

⁹ Id.

¹⁰ Reosti, John. “Bankers Plead for Answers from SBA on Forgiving Big PPP Loans.” *American Banker*, February 19, 2021. <https://www.americanbanker.com/news/bankers-plead-for-answers-from-sba-on-forgiving-big-ppp-loans>.