

**THE ECONOMIC INJURY DISASTER LOAN
PROGRAM: A VIEW FROM MAIN STREET**

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CONTENTS

OPENING STATEMENTS

Nydia Velázquez	Page 1
Steve Chabot	2

WITNESSES

Ms. Nancy Sexton, Owner, The Muse Rooms NoHo, North Hollywood, CA	5
Mr. Jerome Whack, Owner, Christian Street Pharmacy, Philadelphia, PA	7
Dr. Craig H. Gerstein, Assistant Professor of Ophthalmology, Northwestern University Feinberg School of Medicine, Gerstein Eye Institute, Chicago, IL	8
Ms. Karen Kerrigan, President and Chief Executive Officer, SBE Council, Vienna, VA	10

APPENDIX

Prepared Statements:	
Ms. Nancy Sexton, Owner, The Muse Rooms NoHo, North Hollywood, CA	28
Mr. Jerome Whack, Owner, Christian Street Pharmacy, Philadelphia, PA	32
Dr. Craig H. Gerstein, Assistant Professor of Ophthalmology, Northwestern University Feinberg School of Medicine, Gerstein Eye Institute, Chicago, IL	33
Ms. Karen Kerrigan, President and Chief Executive Officer, SBE Council, Vienna, VA	37
Questions for the Record:	
None.	
Answers for the Record:	
None.	
Additional Material for the Record:	
Asian American Hotel Owners Association	43

THE ECONOMIC INJURY DISASTER LOAN PROGRAM: A VIEW FROM MAIN STREET

WEDNESDAY, JUNE 10, 2020

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,

Washington, DC.

The Committee met, pursuant to call, at 1:10 p.m., via Webex, Hon. Nydia Velázquez [chairwoman of the Committee] presiding.

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

Chairwoman VELÁZQUEZ. Good afternoon. I call this hearing to order.

I want to thank everyone for joining us this afternoon for our Committee's first official remote hearing. I want to make sure to note some important requirements.

House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, if you have to participate in another proceeding, please exit this one and log back in later. Please remember to remain muted until you are recognized to minimize background noise.

Over the last few months, the outbreak of COVID-19 has meant an unprecedented public health crisis and a dire economic crisis. We have lost over 110,000 people to the disease and 40 million remain unemployed.

Back in February, as the pandemic was getting worse, we knew that we needed to take action to help our small businesses survive the economic downturn. We started working with the SBA and governors around the country to leverage the SBA's disaster resources available through the Economic Injury Disaster Loan Program, also known as EIDL.

As the virus continued to spread, more states and local governments began enforcing stay-at-home orders and business closures. We quickly realized Congress needed to do more to meet the full scope of the problem, and that is when we started working on what ultimately became the CARES Act. To help small businesses and eligible nonprofits, Congress created the new Paycheck Protection Program, expanded eligibility to the EIDL program, and provided payment and interest relief for current SBA borrowers. I worked tirelessly to secure \$10 billion in funding to create a new EIDL Emergency Grant Program which was designed to get money into the hands of struggling small businesses quickly. Borrowers could request a loan advance of up to \$10,000 within 3 days of applying

that need not be repaid even if the applicant was eventually denied the EIDL.

Due to the unprecedented demand for the program, Congress infused another \$10 billion into the Emergency Grant Program and an additional \$50 billion in the loan program as part of the Paycheck Protection Program and Healthcare Enhancement Act. Congress also increased SBA funding for salaries and expenses to hire staff, upgrade technology, and ultimately, respond to demand in a timely, efficient fashion.

Besides these steps, and more than 3 months after Congress first enacted legislation to provide economic relief to small businesses, borrowers are still facing significant challenges with EIDL grants and loans. For example, EIDL loans are supposed to have a maximum loan size of \$2 million. We learned that SBA imposed a maximum loan size of \$150,000, shortchanging millions of small businesses. Unfortunately, we also learned that SBA is limiting the crucial grants to 1,000 per employee. Some are not even receiving the grant at all which is simply unacceptable. This is one thing the positive impact this program could have for small businesses that need help the most.

We have also heard that the SBA has not communicated effectively with applicants, nor has it provided them with reliable methods to check the status of their application. Applicants need to know where they stand in the queue to approximate how much longer they can expect to wait to receive financing. Given the current economic climate, if they are going to be denied, they deserve timely action so that they can explore options for capital elsewhere.

These are just some of the reports the Committee has received with the SBA administration of the EIDL program in the COVID-19 era. As the Committee undertakes its oversight duties, we want to begin by hearing directly from small businesses who have applied for the program so that we can understand the successes and challenges they have experienced.

However, in order to fully perform our work, we also need to hear from the Small Business Administration. Without their appearance and testimony before this Committee, it would be difficult to make additional changes to the agency's program. Earlier today, Administrator Carranza testified before the Senate Small Business Committee, and it is my hope that she will testify before us soon as well.

With that, I look forward to hearing from our witnesses about their perspective on how Congress can keep working to improve the EIDL program and where we should focus our oversight efforts.

I now yield to the Ranking Member, Mr. Chabot, for his opening statement.

Mr. CHABOT. Can you hear me now?

Thank you very much. Thank you, Madam Chairwoman for holding this important hearing relative to the SBA's EIDL Loan Program.

Before I begin my comments though I would like to comment about the virtual format that we are having here today. And I certainly do not hold you responsible for this, but I think the speaker should have the House of Representatives in session. We have an awful lot of important work to do, obviously relative to small busi-

nesses, but there are so many other issues that the country is facing right now, Congress ought to be together. We represent the American people in dealing with these various challenges that our Nation has before us and we ought to be here.

Now, I happen to be in Washington right now. I am in my office because I am also on the Judiciary Committee and we have a hearing going on as I speak relative to the tragic killing of George Floyd and the aftermath of that. I was there this morning. After I give my opening statement I actually have to go back there because I will be asking questions shortly here.

But again, I do not hold you responsible, Madam Chair. I think, you know, it is commendable, a tremendous job. I would prefer it if you were the Ranking Member rather than the Chair but, you know, we both exchanged those positions on occasion over the years, and I think you do a great job. But Congress should be in session and I cannot emphasize that strongly enough.

Relative to the EIDL Loan Program, it operates within the SBA's Disaster Loan Program and it was already up and running as we know long before the COVID-19 swept across the globe. It is important to note that the SBA's Disaster Loan Program has had its trouble in the past, but it was consistently making improvements. It was supposed to be a regional program that provides assistance to small businesses after a disaster. COVID-19 has presented numerous challenges to the program. The economic downturn caused by the Corona virus crisis has completely overwhelmed the EIDL program. As the crisis unfolded, the lines of communication from the SBA to businesses about the EIDL program unfortunately has deteriorated.

Additionally, the total loan amount and the grant amount available in the program continued to be uncertain. These hurdles and roadblocks have impacted a small business's ability to make important and critical decisions during these uncertain times. Thus far, the program has provided assistance to over 1 million small businesses all across the country to a tune of approximately \$80 billion.

In my home state of Ohio, for example, it has provided over 25,000 loans for a total of \$1.7 billion. Today, communication is slowly improving but certainly, more work needs to be done, and I commend you, Madam Chair, for holding this hearing in order to assist us in getting that job done and sending letter to the SBA that they just have to improve. We obviously sent the letter together in a bipartisan manner just recently urging the SBA that they have a lot of things they have to improve on.

It is critically important that we have this discussion to understand how small businesses have fared during this crisis and how Congress can work to make improvements. Throughout this entire crisis, I have joined dozens of my House colleagues on conference calls and town hall meetings and a whole range of calls and conference calls with small businesses in their districts. Questions on the EIDL program were raised on a great many of these calls. Now, obviously, their principal interest was in the PPP, the Paycheck Protection Program, but the EIDL Loan Program is still there and dramatic improvement is needed.

Congress has worked in a bipartisan manner to improve the Paycheck Protection Program. We must now work together to ensure

that the EIDL program is operating efficiently and effectively for small businesses during this pandemic and following it. I look forward to discussing solutions and next steps with all of our witnesses today. It is important that we move forward with practical reforms that deliver for small businesses in my district and your district and districts all across the country.

And Madam Chair, I mentioned that following my opening statement I have to go back to the Floyd and Judiciary hearings, so I will be heading over there. I am not sure if I will be back in time for the question part, but I want to thank you for holding this hearing, and I yield back.

Chairwoman VELAZQUEZ. Thank you, Mr. Chabot.

Unfortunately for you, you might have to wait a little longer.

Mr. CHABOT. Okay.

Chairwoman VELAZQUEZ. To go from ranking to Chair.

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

With that, I would like to thank our witnesses for taking time out of their busy schedules to join us.

With us today we have Ms. Nancy Sexton, the Owner of the Muse Rooms, a co-working space in the Los Angeles area. After a career in the Arts, she conceived her co-working business in August of 2015 and taught herself how to write a business plan to get started. In just 4 years, her business successfully grew into two locations right before COVID-19 struck. She applied for an EIDL but encountered many of the challenges that have been reported with the program. Ms. Sexton, thank you for joining us today and for sharing your experience.

I now would like to recognize the Vice Chairman of the Committee, Mr. Evans, to introduce our second witness.

Mr. EVANS. Thank you, Madam Chair. I like the sound of that.

Mr. Jerome Whack is a pharmacist and an owner of Christian Street Pharmacy located in the diverse neighborhood of South Philadelphia. He has owned and operated the pharmacy since he graduated from pharmacy school 33 years ago. Mr. Whack is a life-long resident of Philadelphia where he attended two of my district's many excellent colleges, Temple University and the Community College of Philadelphia, my alma mater. I could not ask for a greater representative for my district to speak to the Small Business Committee on this important topic. I commend your commitment to serving and supporting the amazing citizens of Philadelphia and thank you for participating in this hearing.

I yield back to the Chairwoman.

Chairwoman VELAZQUEZ. Thank you, Mr. Evans.

Now I would like to recognize Mr. Schneider of Illinois to introduce our third witness.

Mr. SCHNEIDER. Thank you, Madam Chairwoman.

It is my great pleasure to introduce my constituent, Dr. Craig Gerstein, and to thank him for sharing his perspective with us today. Dr. Gerstein lives in Highland Park and has practiced ophthalmology in the Chicago area for the past 20 years. I will share

that story a little bit in a bit, in a moment. He runs the Gerstein Eye Institute jointly with his father, Melvin, who started the practice more than 50 years ago. Dr. Gerstein earned his medical degree from the Chicago Medical School. In addition to his practice, Dr. Gerstein also serves as an assistant professor of ophthalmology at Northwestern University Medical Center. I have known Craig for many years and appreciate him sharing his perspective as a small business owner navigating both the complexities of this pandemic, but also the challenges he faced with his EIDL loan. Thank you for joining us today, Craig.

Chairwoman VELAZQUEZ. Thank you, Mr. Schneider.

Now I would like to turn it over to Mr. Bishop to introduce our last witness.

Mr. BISHOP. Thank you, Madam Chairman.

Our next witness is Karen Kerrigan. Ms. Kerrigan is the president and chief executive officer of the Small Business and Entrepreneurship Council, also known as the SBA Council. Ms. Kerrigan has multiple decades of advocating for small businesses and the entire small business ecosystem. With an expertise in startup funding and business growth, Ms. Kerrigan serves on numerous boards and coalitions. Ms. Kerrigan, welcome.

And Madam Chairman, I yield back.

Chairwoman VELAZQUEZ. Thank you.

Now I would like to recognize Ms. Sexton for 5 minutes.

STATEMENTS OF NANCY SEXTON, OWNER, THE MUSE ROOMS NOHO; JEROME WHACK, OWNER, CHRISTIAN STREET PHARMACY; DR. CRAIG H. GERSTEIN, ASSISTANT PROFESSOR OF OPHTHALMOLOGY, NORTHWESTERN UNIVERSITY FEINBERG SCHOOL OF MEDICINE, GERSTEIN EYE INSTITUTE; KAREN KERRIGAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, SBE COUNCIL

STATEMENT OF NANCY SEXTON

Ms. SEXTON. Thank you, Madam Chairwoman, and the entire Committee on Small Business for asking me to come here today and share with you the challenges that I faced when applying and receiving the EIDL loan.

And like she said, my name is Nancy Sexton and I own and operate The Muse Rooms. It is a co-working space in North Hollywood in California. I am not from L.A. I was born and raised in Ohio. I lived in New York for almost 12 years, and I lived in Italy for 4. I have had a lot of great accomplishments in my life, but outside of marrying my husband, nothing has made me prouder than opening The Muse Rooms.

Now, just so you know, The Muse Rooms is a working space, and we provide a workspace for entrepreneurs, creatives, and small businesses. We offer desk space, offices, and meeting rooms.

The Muse Rooms started with my idea in August of 2015, and within 3 months we opened. We were so successful that that summer we decided to open our second location in Burbank. And then we were able to go back and expand our first location, and within 4-1/2 years, we have expanded to 14,000 square feet with over 120 members.

The COVID hit. We shuttered our doors on March 17th prior to Mayor Garcetti's stay-at-home order. And at this time we suspended our billing because how can you charge somebody if they cannot use your service?

Then the SBA announced their loans, and then I worked with the LASBDC network to get all my ducks in a row to apply because there was a ton of paperwork that was required. On March 23rd, I started the EIDL loan process, and this is when I started uploading my documents.

And over the course of the next 7 days, I was on hold for more than 25 hours and I had uploaded my application, I had faxed it, I had emailed it, and each time I was told, oh, no, no, no, you are doing the wrong thing. Until finally on the 30th I was told, you have just got to go to this new portal. Super easy. It only takes 5 minutes. You do not even need documents.

So I went to the new portal, and it was super easy. So easy, in fact, that I did not even get an email confirmation that I had applied. Now, I was smart enough to write down my loan number so that when I called back I had a point of reference. When I called, I mean, I was only told, look, these are the next steps. You are going to get an email to log into the portal. Then you are going to be able to talk to somebody. They are going to look at your documents and they are going to tell you how much money you are going to get. And it should be two and a half times your monthly bills.

Now, remember, I am not making any money and my bills are stacking up. So on the 21st of April, I finally received my advance. It was only a grand because I do not have employees. And I was super psyched because my neighbor next door, now he had already gotten funded and he had received more than what he thought.

So over the next 10 days I called several times wondering what was happening because nothing was being communicated. No emails. No letters. And when you call you get a different answer each time.

Now, on May 1st, my credit was pulled, and I got really excited. I have got two landlords with their hands out. I have no income. I called. I get the same story. You are going to get an email. You are going to talk to somebody. You are going to submit loan documents. Do not worry.

May 16th, I got that email. And when I logged in to see the amount that was being offered, it did not even cover one month of my expenses. So, I called, and I was told by the woman on the phone, she read a statement to me for people who were calling in requesting more money than what was being offered. And she told me this; that in order for all businesses to get a little money, they were limiting the amount distributed. And remember, this is when they were supposed to be giving up to 150K.

I was taken aback. I was pretty upset. I mean, I had no one to talk to. I could not call anybody and no one to plead my case to. So the SBA EIDL loan that I thought was going to save my business has now put me in a position that guarantees that I am going to have to close one of my locations. And I do not know how long that will last.

The stress of COVID was bad enough. I mean, seriously. This SBA loan experience, 58 days of not knowing anything on top of COVID, this has been the most stressful period I have ever experienced, ever. It has been horrendous. My entire business is built on customer service. Good communication is king. And let me tell you, without that you are sending businesses into absolute chaos.

And I thank you for my time.

Chairwoman VELAZQUEZ. Thank you, Ms. Sexton. Your time has expired.

Now we recognize Mr. Whack for 5 minutes.

STATEMENT OF JEROME WHACK

Mr. WHACK. Hello. Can you hear me?

Chairwoman VELAZQUEZ. Yes, we can hear you.

Mr. WHACK. Thank you for the opportunity to testify before your Committee today. And I do apologize for the problem I am having with my camera. I am very computer illiterate. My son set this up, and of course today it is not working. It worked last night. We did a dry run.

But I would just like to thank you and to just basically highlight the testimony that I wrote, and I hope you have it in front of me.

Very quickly, as Congressman Dwight Evans stated, I am a long-time resident of Philadelphia, Pennsylvania. I came here very young, as an infant, with the great migration from the South. My folks were from South Carolina. They left after my father got out of the Navy, after World War II, and came to Philadelphia. He wanted to have a better life for me and my other seven brothers and sisters.

I have been here at Christian Street Pharmacy since about 1987, and over the years this area has changed tremendously. When I came down here it was known for, the word was "moral hazard." They would not even give me insurance on the building because it was predominantly Black and redline.

Fast-forwarding to 2020, it is about 90 percent White. It has been gentrified by what I call landlocked. I have CVS two blocks away from me, Rite-Aid four blocks away from me, Walgreens two blocks away from me, and I am still in the process of holding on to the clients that I had prior to this.

Pharmacy unfortunately is a very narrow profit margin business today with the competition that I just stated to you. It is very difficult normally with the very low rate of reimbursement. It is particularly hard with the copays. Many of the people that I serve are poor. They are part of the 25 percent of the people that the Charitable Trust identified as being at or below the poverty level of Philadelphia, and yes, most of them look just like me and Dwight, Congressman Evans.

So what we do characteristically, and we have been doing, is we have been giving free deliveries, and we run what they call tabs. Folks who do not have the copays to cover their medicine, we show it and they are able to access their funds the first of the month with Social Security or whatever insurances they have, they will come and straighten their tab out.

Well, in view of what has happened in the country with the COVID-19 crisis, many of these people are very financially

strapped. They are unable to pay their copays, and for the most part we have had to eat it. When I say “eat it,” we forgo the copays and still continue to fill their prescriptions and we are operating at a loss. The profit margin for an independent retail pharmacy in today’s climate according to the National Committee of Retail Pharmacists is around 3 to 5 percent. So a very, very narrow profit margin. And when you couple that with the loss of copays, the fact that the PBM, pharmacy benefit managers, like Medco, CVS Caremark have for some reason slowed down. I do not know why. Slowed down on the reimbursement. It is like being caught in a three-way street. You cannot get your copays. You are not being properly reimbursed. And on top of that, I was turned down for the SBA loan. So it is a matter of trying to stay afloat and navigate through these very difficult times.

To give you a quick, quick kind of summary of what I am saying, a small pharmacy bills up to say 50 prescriptions a day. A medium pharmacy is between say 100 and 200 prescriptions a day. A high-volume pharmacy would be showing greater than 200 prescriptions a day. So what that means is, let’s make it simple. If you filled 50 prescriptions a day at the lowest copay, \$2, potentially, you could lose \$100 a day. This is, you know, over and above the other cash crunches that you are dealing with.

So it has put me in a pretty hard position this way, not to mention the kinds of expenses that you need just to operate. Philadelphia Electric Company, Philadelphia Gas Works, the water, Verizon, and the like.

Can you hear me?

To let you know, it has been very difficult. I did go through the process to apply for the SBA loan, and I had great difficulty. It took me like a couple weeks roughly, and then they started to advertise that you could go to your local bank. They have some kind of portal or some kind of mechanism to go through the bank and apply for the loan. And finally I did that one evening. I believe it was on the weekend.

So basically, it has been a challenge, and I do ask the Committee members if you would kindly look into the reason that SBA is utilizing a credit check too either deny or allow someone to receive an SBA loan.

Thank you so much.

Chairwoman VELÁZQUEZ. Dr. Gerstein, can you unmute?

Dr. GERSTEIN. Yes, I am on mute.

Chairwoman VELÁZQUEZ. Okay, please, you are recognized for 5 minutes.

Dr. GERSTEIN. Thank you.

STATEMENT OF DR. CRAIG H. GERSTEIN

Dr. GERSTEIN. Madam Chairman and members of the Committee, thank you for inviting me to speak today regarding my experience with the SBA in respect to the EIDL program.

First, I would like to introduce myself. My name is Dr. Craig Gerstein. I am an ophthalmologist who has been in private practice on the Northside of Chicago for the past 20 years.

The pandemic’s enormous disruption of my practice required that I needed assistance in order to survive. It was at that time I lis-

tened to a webinar on small business resources hosted by Congressman Schneider. On that call, a representative of the SBA detailed the EIDL program and the application process. I spent most of that evening locating the necessary forms, and the next day, on March 24th, I began the process to apply for the loan. Despite several crashes of the website and countless hours waiting on the SBA help line, I was able to complete my application 13 hours later.

Subsequently, I received an email from the SBA that my application had been received and another email saying that my application was under review. Throughout the following 3 week waiting period, I called the SBA help line to ask questions, only to be told that my loan was pending and in 3 weeks a loan officer would contact me regarding my approval and discuss the amount I needed and could borrow.

Three weeks from the date of my complete application, the status on my portal changed from pending to please reapply to complete your self-certification. After following the required instructions and submitting my application online, I was being told 3 weeks later to reapply.

I completed the new self-certification form hoping that it was an addendum, but then I received a new application number. I immediately called the SBA help line trying to figure out why I had two numbers. I was concerned that I was going to lose my position in line as the loans were said to be a first come, first serve basis. The help line representative was unable to explain what had happened. I wrote a detailed email to the SBA customer service and never received an answer to my question. Instead, I received a response that directed me to three options: either connect to the website application page, call the help line, or write another email.

After weeks of waiting in uncertainty, the SBA could provide no answers and left me in a helpless position. I could not use the website which had been removed. The help desk had no answers and could not address my concerns. And the email service offered nothing but an automatic reply. In desperation I continued to send several emails, and I contacted Congressman Schneider's office for help in navigating this situation.

While the congressman's office attempted to get information from their SBA liaison, I once again called the help line almost 4 weeks out. At that time, the SBA representative explained that the loan applications submitted prior to the newest version of the CARES Act were disregarded and that individuals needed to reapply. I finally received an email response from the Disaster customer service on April 25th that simply stated you had to reapply because SBA developed a new streamlined application process, and those who applied before had to reapply. I received this notification as the SBA ran out of funds from its first round of applications, and thus, shut down their application process. I was left unknowing if my completed application that had once been "processed" would ever be considered and what having two applications meant for my position in line for the loan.

Uncertainty kills small businesses, and this placed an extreme pressure on my practice. We do not have the luxury of time. Invoices, rent, utilities, health and malpractice insurance payments, and the salaries of my staff continue to accumulate with no realiza-

tion on how I would be able to cover those expenses. I needed the information and loan details that would have allowed me to decide to keep going or to close up shop, decisions that needed to be made in real time with concrete answers. Unfortunately, hope does not pay the bills and put food on the table.

Fortunately, after 6 weeks I received an email notification that I was approved for a loan, yet I was not given the opportunity to discuss the amount distributed. I accepted the loan and sent an email with documentation to support a greater need for additional funds but to this date I have not received an answer from the SBA.

I hope my experience highlights while the SBA and the CARES Act were designed to aid small business needs, the lack of infrastructure and transparency surrounding the SBA contribute to stress that I and other business owners were experiencing during this economic uncertainty. The reality of the process in dealing with the SBA, and specifically, the EIDL program fell significantly short of what was promised with rhetoric and reassurances. I hope in the future there is more done by Congress to hold these loan programs accountable and to ensure that the SBA is able to properly allocate the needed funds and communicate to millions of small business owners during a time of great uncertainty.

Thank you for allowing me the time to address this Committee.

Chairwoman VELAZQUEZ. Thank you.

Now we recognize Ms. Kerrigan for 5 minutes.

STATEMENT OF KAREN KERRIGAN

Ms. KERRIGAN. Thank you so much, Chairwoman Velázquez. It is really an honor to be here today. Let me thank you for your leadership of the Committee and everything that you and the Ranking Member and all the Committee members are doing to help small businesses during this very, very challenging period. We appreciated your early work in getting information out about what needed to be done to change the PPP program. Obviously, all of the members of the Committee and you listen to small business owners, and we are just so pleased that the Paycheck Protection Program Flexibility Act is now the law of the land. It is going to help a lot of small businesses, but we continue to work to make even more improvements because there is a lot more that needs to be done.

As a membership organization with 100,000 members throughout the country and being around now for over 25 years, when I listen to Craig and Nancy and Jerome, I am hearing the members, the stories of my members as well. I mean, what they went through in terms of the program mirrors everything that our members have gone through. And as an organization, again, that has worked with the Small Business Administration for the past 25 years on a lot of its programs, its education, training programs, special initiatives, we do not take any pleasure in pointing out the problems and challenges with the EIDL program. And all of us knew that the SBA had a heavy and unprecedented lift in launching this program. We at SBE Council and all the other small business advocacy organizations that we work with, we understood that there was going to be massive demand for capital in the small business community but limited funds available, especially in that first

tranche of money where the EIDL program really leaves a very, very, very small amount.

And even given many of the challenges in execution and communication, our members in small businesses that eventually received funds are grateful for this needed capital. But as you well know, there are many small businesses that got lost in the queue that did not receive funds when they needed it or expected it. And of course, were surprised by the dollar limit placed on the maximum loan amount and the per employee advance limitation.

As I expressed in my written testimony, we believe that a fair amount of this angst experienced by small business owners, including our witnesses today, about the problems, the communication that was generated by the program really could have been avoided through transparent and immediate communication about these changes.

On paper and as advanced by Congress in the CARES Act, the EIDL loans were ideally suited for many types of small businesses. Business owners and entrepreneurs were pleased to see a program pass Congress that would meet their immediate capital needs, provide some flexibility in using these funds, and would, as advertised, deliver this capital with speed. EIDL's breakdown as communicated by our members, small business owners across the country and, of course, our witnesses today, was and continues to be very sad to hear. Most small business owners were obviously shocked by the effects of COVID-19, and just the dramatic actions that happened afterwards, the plunge in demand and revenues, and they were desperate to identify sources of capital that could act as a bridge to their reopening. These areas of concern as noted by our written testimony included the lack of information about application status, hearing no communication from the SBA for long stretches of time, the shrinking advance based on employee numbers, the much smaller loan cap than advertised by the program and provided for by the CARES Act, confusion about how loan amounts were determined by the SBA, and then, of course, eventually them being shut out of the program due to the agricultural window that was established.

So no doubt this crisis has been like none other, and unfortunately, many small businesses needing help through the EIDL program experienced these frustrations with the program when every minute of your time was valuable. Focusing on productive work and activity that would carry them through the shutdown period and on to recovery.

Chairwoman VELÁZQUEZ. Thank you, Ms. Kerrigan. Your time has now expired.

I want to really thank all of the witnesses for everything that you have shared here with us.

I will start by recognizing myself for 5 minutes.

Dr. Gerstein, I understand that you were drawn to the EIDL program by the \$2 million maximum loan size and that you were disappointed to learn of SBA's \$150,000 cap. I understand the unprecedented demand for the program and for SBA to make some difficult decisions, but they must still be operating according to the law. Can you share with us how the smaller loan amount has affected your business?

Dr. GERSTEIN. Yes. Thank you. Thank you, Madam Chairwoman.

I will tell you, the first issue is the continued uncertainty. Many of us did not even know if we were going to get any money at all, and then we were counting on at least being able to communicate with someone what type of needs we had and how that loan was going to eventually help us. The \$150,000 that I was granted was barely enough to cover my expenses for a month. And at this time, I am still not operating at 100—not even close to my normal pre-COVID level. In fact, for the last 2 months we have been seeing maybe 15 percent of my normal patient volume, and we were not operating until approximately about 3 weeks ago. So to not know what is happening and then finally just to be given a certain amount of money with no answers, with no recourse to try to appeal, really kind of sets me as a small business—now I have to explore other avenues. Now I am starting from the beginning again trying to look at different aspects that I can get capital in order to maintain my business.

Chairwoman VELAZQUEZ. Thank you, Dr. Gerstein.

Ms. Kerrigan, I agree with you that we probably need to do more. We might have to do another relief package. We do not know how this program has worked. We do not have any data. There are no explanations that have been provided to us as to the decisions that were made, like changing the loan size from 2 million to 150,000. Then like Dr. Gerstein and Ms. Sexton explained, they were not able to get any answers, any information as to the status of their loan applications. Do you agree with me that as Members of this Committee, we cannot move to make any other changes or expand the program without the administration coming before the Committee and providing the information that is required for Members of Congress to do our job, and that is oversight, and that is to get to the bottom of what happened so that might require us to make some legislative changes?

Ms. KERRIGAN. Well, I agree totally. We need that information, that data from the SBA. And we need what went into the decision-making in terms of going off course from what was actually in the CARES Act. And yes. I mean, in order to do your job, it would be great if we had more money. It would be great if we could make those small businesses whole that did not receive the \$10,000 grant as they were promised, and perhaps more money can be provided for that. But yeah. I think taxpayers, the American public want you to have as much information as possible. Data, feedback in order to know what is the path forward with this program absolutely is critical, critical, critical.

Chairwoman VELAZQUEZ. Thank you so much.

Mr. Whack, would it be helpful for applicants if SBA clearly communicated its credit minimum so applicants would know exactly where they stand prior to applying for a disaster loan?

Mr. Whack?

Mr. WHACK. Can you hear me?

Chairwoman VELAZQUEZ. Yes, now.

Mr. WHACK. Okay. I think that would be a good first step because in addition to waiting like a couple weeks to be able to get onto the website, you are in such a state of anxiety not even know-

ing if you are going to be approved. And when they did give me a response, that was also not that great. It took them like almost a month later to give me a response and then it was kind of vague. I mean, unsatisfactory credit did not really mean a lot to me. I mean, is 600 the cutoff? Is 400? I mean, what was it? And was there something I could have done perhaps in filling out the application that would have made me change the way that they looked at the application?

Chairwoman VELÁZQUEZ. Thank you, Mr. Whack.

My time has now expired.

Now I recognize Mr. Balderson for 5 minutes.

Mr. Balderson?

Mr. BALDERSON. Thank you, Madam Chair. I am sorry, you cut out there, so I did not hear my full name there, so I apologize.

Thank you, everyone, for being here.

And my first question will be for Ms. Kerrigan. Thank you for joining us today.

My question is, as you know all of us here are too aware this has been a devastating time period for our Nation. Small businesses have been forced to severely reduce their operations, or in many instances, sadly, have had to close their doors.

I have been in constant communication with small business owners in my district around the many challenges they face during this time, and something these constituents routinely bring up is also something you have highlighted in your testimony: access to capital now and in the near future.

From the research done by the SBE Council and your own perspective, how have the fairly funded programs benefitted American small businesses?

Ms. KERRIGAN. They have benefitted some. I mean, there have been a lot of small businesses who have not been able to benefit from these programs. I mean, if you look at the PPP program, for example, when it first started it was those that were largely, you know, connected to their banks and to their financial institutions. I think more banks came online, community banks, credit unions. And even the addition I think potentially of Fintech, you know, the big Fintech companies, there is like a big difference in getting this capital to a lot of those who did not have sort of that commercial banking loan relationship, you know, with their banks or with their financial institutions.

So as the programs went on, both PPP and EIDL, they got better in terms of their communication and in terms of their funding. I think with the EIDL program, you know, it is a different animal because with PPP you do have many players in the private sector that are involved, right, with the distribution of that capital and more players involved, whereas the EIDL, it is the SBA alone. If we want to do something like this moving forward because, you know, it is apparent that the SBA did not have the capacity, the technology, the artificial intelligence, all of that needed to do this very, very rapidly and quickly. And that is what small businesses needed, whether it was PPP or EIDL was rapid access to capital. So, I mean, hopefully, we will not have an event like this moving forward, but we might, and we have got to be prepared for it. Given that we do have technology and all the innovation, I do not

see why we cannot do this rapidly, more rapidly. And I think that is the big issue, is giving this money to businesses rapidly and being able to communicate with them so that they can make decisions about where they are going to be going forward and help them navigate which, you know, this recovery period.

Mr. BALDERSON. Madam Chair, I yield back. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back.

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

Ms. FINKENAUER. Thank you so much, Madam Chair. It is good to see you and the folks on this Committee and the folks who have joined us to share their perspective and help us do our job on oversight here.

You know, one thing that I have been focused on a lot during this pandemic is, you know, we passed these bills, the CARES Act getting signed into law where these dollars go to these agencies, but at the end of the day it is often up to these agencies of how they put these dollars out, what the rules and regulations are behind them. And it just underscores how important it is to do the oversight with these agencies and make sure that they are getting out to us maybe in the right way. So thank you, thank you, thank you, Madam Chair, for holding this hearing today, helping us do this the right way.

We clearly, listening to testimony today, and then also hearing from my constituents throughout the 1st District in Iowa, have a lot of work to do when it comes to oversight with the Small Business Administration and how these programs have been rolled out, and also how they are moving forward here.

So Dr. Gerstein, I actually, I would love to ask you a question. I Chair the Rural Development, Agriculture, Trade, and Entrepreneurship Subcommittee on the Small Business Committee, and something that our Subcommittee heard about when we held a discussion a few weeks ago was from a woman, Melissa Moretz Baker from my congressional district in Northeast Iowa who is also a farmer, and she said that many business owners did not have the information they needed to determine which Small Business Administration assistance program would work best for their business model.

So how did you arrive at the decision to apply for the EIDL loan rather than the Paycheck Protection loan? And also, in hindsight, given that some of the challenges you faced in applying for your loan and your award being less than you needed, would you still have applied for the EIDL loan? And would you have applied for any other, or would you have applied for assistance at all given what you know now?

And I will let you answer that part first, and then I have a follow-up for you.

Dr. GERSTEIN. Sure. First, I will answer, having gone through the experience, I would not go through the experience ever again. It was traumatic. It was stressful. There was no communication. It took tons and tons and tons and tons of my time trying to educate myself and trying to figure out avenues to try to get answers. And I did apply for a PPP loan and I very consciously did not go through the SBA simply because there was no communication with

the SBA and I did not want to start going down that road again of trying to get something and not being able to talk to somebody versus a bank where you can actually make a phone call and get an answer, to answer that part.

The way I got the information was a town hall through Congressman Schneider's office. He kind of laid out certain different programming and that was the loan that seemed to promise the most. And that was the loan initially before the PPP was out, it was cast. So, and what really was terrifying to a small business, especially myself, was that constant reminder of this is going to be first come, first serve. So, you know, you knew, you could see the need was out there and you knew that you needed to get things done in order to get in that line. And that is where a lot of my stress came was because I was applying, and I did everything right. I hung in there just to get that application in only to fall into the abyss.

Ms. FINKENAUER. I know we only have a few seconds left here, but what additional resources would have been helpful during that process from the Small Business Administration? And then also, now that you know what you know now, what would you hope they do moving forward here?

Dr. GERSTEIN. Well, the two things I can say, and I am not an expert on running the SBA in any regard but I can tell you communication is paramount, especially with small businesses. We need to know where we are. We need to know when we can expect a decision to be made. And, I remember in the beginning I was very upset that I could not request the amount I was asking for. There was nowhere on the form to even say this is what my need was. And that was very stressful. The more transparency and better infrastructure to deal with the small businesses is what the SBA can do.

Chairwoman VELÁZQUEZ. The gentlelady's time has expired.

Ms. FINKENAUER. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. Now we recognize the gentleman from Oklahoma, Mr. Hern, for 5 minutes.

Mr. HERN. Thank you, Madam Chairwoman. And I know the Ranking Member had to leave for his other Committee, and I really want to thank the witnesses for being here today during these certainly difficult times.

I always like to start out this way, but as a small business owner for over 35 years, I certainly feel the pain when we have these kind of disasters. In 35 years I have seen a few. Obviously, nothing as severe as what we are seeing now, and during these difficult times we are going to have stresses on our system, and we have seen those. And as we all know, the SBA has done about 20 years' worth of work in the last 12 weeks. So, you know, this oversight is good. It gives us an opportunity to test the stress of our system, but we also want to thank the great work that all of us have done in a bipartisan way in getting the PPP loans out and the EIDL programs out because we all know that estimates are it saved up to 50 million jobs in America and, you know, we have got to be very concerned about what is getting ready to happen as we roll off of these loans.

As some of you may know, the EIDL program has done over, you know, several hundred thousands in loans and upwards of \$80 bil-

lion in loan dollars. And in my state, it is about 7,200 loans and almost a half a billion dollars in loans.

As we work, I think Administrator Carranza is working hard to try to figure out and listen and the Chairwoman mentioned, she has been in the Senate side listening to the Small Business Committee there and I, too, would like for her to come back to our Committee to hear what we have to say as well as we go through our factfinding.

Ms. Kerrigan, you talk about some of the shortfalls in your testimony and again, as a small business owner, I know that you cannot be successful by drawing on past mistakes. We are here to learn and move forward. Can we talk about solutions to these issues on these mistakes? And what are some of the solutions that you think the SBA could implement moving forward to perfect the EIDL program and thereby helping more and more struggling small businesses?

Ms. KERRIGAN. You are absolutely right. This crisis was unprecedented and sort of the charge that was given to the SBA was unprecedented; right? And so we certainly understand that. And they have had their challenges over the years. They have had their successes over the year.

I think the key one is communication. And as you heard through the testimony today and as we are hearing from our members, even if it is bad news, business owners want to hear it from the SBA in terms of we are not going to turn around your loan or you are not going to get the capital in 3 days as was promised; right? It is going to take longer. There is massive demand. Or we ran out of money or we are going to run out of money within a shortened period of time. So I think the more communication, you know, is better for small business owners because then, as you know, as a business owner, you can make decisions based on that; right? So more information is better.

You know, I think the other thing with all these programs, and including PPP, Congressman, is that, you know, as the law is passed by Congress, that is how it has to be implemented by the agencies. Obviously, they should be given some discretion on things like Congress gives them, you know, but if the law actually says, you know, a \$10,000 advance, or the amount, the max loan is \$2 million, I mean, you know, the agency has to follow the will of Congress on this. And if the money runs out like that, then Congress can make the decision to fill the money again.

But the other thing is also, again, in a perfect world all these programs would have rolled out at the same time, including the Main Street Lending Program because, you know, they match certain businesses. They align with businesses but that did not happen; okay?

I think the other big pieces looking at this is what is the SBA, what is their capacity, and what are they capable of doing in this regard? And where do we need to call in the private sector and use financial technology? You know—

Mr. HERN. Ms. Kerrigan, I only get one question before we run out of time here.

Ms. KERRIGAN. Okay. I am going off.

Mr. HERN. No, no, no, you are fine.

You know, we talk about SBA. I think we know that, you know, a lot of government programs, standard programs, one size fits all is very difficult. Can you talk about, and you alluded to it a little bit a minute ago about what you think private industry could do to maybe facilitate should we see this kind of occurrence again, what private industry can do alongside the Federal government?

Ms. KERRIGAN. Well, I think you saw the power of that in the PPP program where it was sort of like the traditional banking institutions, the financial institutions that were initially part of that, and it took a while for the Treasury to bring on Fintech; right? But once they did, this money moved very quickly and they were very small loans, \$15,000, \$20,000 to the types of businesses that maybe the banks do not, you know, were not interfacing with and serving. So, I think they need to think forward. They need to be technology driven. And I think that is the same way with these programs as well in terms of these public-private partnerships. Bringing sort of the power of technology and looking at financial, you know, technology as a solution to all this. I really think it needs to be incorporated over at the SBA.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

Mr. HERN. All right. Thank you.

Chairwoman VELAZQUEZ. Now we would like to recognize the gentleman from Maine, Mr. Golden, for 5 minutes.

Mr. GOLDEN. Thank you very much, Madam Chair. And you can hear me all right?

Chairwoman VELAZQUEZ. Yes, we can hear you.

Mr. GOLDEN. All right. I just want to make sure.

Ms. Kerrigan, I wanted to ask a little bit more from you. I have been hearing from a lot of constituents in Bar Harbor and Auburn, Maine, who would like to use an Economic Injury Disaster Loan right now but they have been shut out of the application process because they are not agricultural businesses. I was wondering if any of your members have been finding themselves in a similar situation of late?

Ms. KERRIGAN. Yes, absolutely. Absolutely they have. And you know, again, it is dispiriting. And I mean, we have farmers and members of the agricultural sector, small businesses that are part of the SBE Council. I think what the SBA wanted to do was to compensate, right, for them being shut out of the program earlier. But at the same time you are shutting out, you know, a whole slash, right, of the business sector, diverse businesses. And again, it goes back to, look, the program should be open to everyone. If it runs out of money, once we know the data, and once we know where we need to go then, you know, it can be refueled or refunded based on that. So yeah, that was sort of a little bit of the government picking winners and losers in the marketplace, although we love our farmers and our members who are farmers, for sure.

Mr. GOLDEN. Yeah, certainly we do.

You know, you were talking a little bit about implementing the program the way that it is drafted in statute and then, you know, if the money runs out, you come and you make that strong case for the back in the business community for more funding, similar to what we saw with the Paycheck Protection Program, although they obviously took a little leeway in the rulemaking process there as

well but, you know, I had businesses, like an independent trucker, tourism businesses in my district reach out frustrated, feeling like they had experienced a bait and switch when the EIDL was both downsized in regard to the amount that they could receive for those kind of more capital-heavy businesses, but also when they were told that they were limited to \$1,000 per employee on the grant side because that was part of the original reason why they were so interested in going after EIDL instead of pursuing PPP in the early weeks was knowing that that grant was going to be out there and they just wanted access to some revenue as quickly as possible.

Ms. Sexton, I also wanted to recognize your frustration with the repeated delays that you experienced processing your EIDL application. I know in my office we heard from businesses all over the district who had a lot of similar experiences. And all of you have made the point about the importance of clear communication so that you can at least make informed decisions which is what I have been hearing and what my staff have been hearing from businesses here in the state of Maine. Often it was waiting many weeks, you know, that was the most disturbing because it delayed them from making other potential decisions and pursuing other means of surviving through this. It is not to say that these were not important programs and that they have not worked to help businesses, you know, when they have worked smoothly. But I just want to acknowledge the frustration that you have all shared and thank you for sharing it with us. I think the key point there is, as you have all said, communication not only between SBA and the Committee in Congress but also SBA and the ultimate client, which is the small business community. So thanks for taking part in this today and sharing that. I have no doubt that the SBA is listening to your testimony today and making note and that they are going to be engaging with their clients, the business community, and the lenders out there for feedback on how they could improve these programs going forward.

With that I would yield back, Madam Chair.

Chairwoman VELAZQUEZ. Thank you. The gentleman yields back.

Now we recognize the gentleman from Tennessee, Mr. Burchett, for 5 minutes.

Mr. BURCHETT. Am I unmuted? Can you all hear me? Okay, great.

I have heard from everybody, and I appreciate everybody for the excellent testimony given. I also wanted to welcome new member Mr. Mfume to the Committee. I have watched him from afar and I am looking forward to getting to know him.

I have heard what has gone wrong, and I have actually heard all those complaints from my constituents. And I am wondering if each of you all could briefly tell me what has gone right in what we have been trying to do. Maybe we can amplify some of that.

And I will yield to the folks.

Ms. KERRIGAN. Well, I will start that, Congressman, and say for the businesses, the small businesses that were able to access the EIDL money, they are very grateful for that support, for that capital. I think with the PPP program, it was really good to see the pivot that was made on that in terms of making the modifications

and changes that would make the program flexible, practical, and relevant, you know, for small businesses, particularly given, you know, the extension of the shutdowns and what was happening on the ground. From our perspective, we would have loved those PPP changes to come more quickly, but they happened and that is good. So you all were listening to small businesses and you made those changes. And I think that needs to happen over at the SBA, too, but again, this is a whole different program and I do think now Congress needs to look forward and say, you know, is this something that SBA should be doing as an agency? And do they have the capacity to do that? But, look, for the businesses that got the money because of the early intervention and the tax credits and all those other things, those are making a big difference for small business.

Mr. BURCHETT. Any of the others?

Dr. GERSTEIN. Yeah. What I would say is what was done right was that Congress definitely, there was an emphasis on helping small business. It was not just helping individuals. It was really an attempt to help small businesses out there that were through no fault of their own were shutting down or operating at very limited capacity. Unfortunately, what seemed like a great idea and the execution did not match. And the frustration was listening to the promises and being excited about the idea and then the reality really of not being able to access the funds or not get your questions answered. But the intent was there.

Ms. SEXTON. Now, I could say that for me what went right was unfortunately very little. What did go right was my ability to react very quickly when I saw that SBA dropped the ball. We started a Go Fund Me campaign which actually that is what saved me. The SBA money helps, sure, and I got a little bit of PPP but, I mean, I feel like giving PPP back because how am I supposed to pay that back? It is over 2 years. I mean, it puts a burden on me more than it is helping me. So, and look, I do not want to be complaining. I hear your question. What it did right was once I did get approved my loan was delivered very quickly. That was right. But I am sorry; they got so much wrong I do not really, at this point, I am so frustrated what they got right is kind of irrelevant.

Mr. BURCHETT. Thank you.

Any others?

Great.

Chairlady, thank you so much. I yield back the remainder of my time.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from California for 5 minutes. You need to unmute.

Ms. CHU. Thank you.

Ms. Sexton, as a congress member representing Los Angeles County, I thank you for sharing your experience as a Los Angeles business owner, a sole proprietor, and a former creative professional. It is clear from you and the other witnesses here today that SBA's administration of EIDL has been unacceptable at a time when small businesses need this really more than ever. I also imagine that many of your clients are also self-employed individuals working in creative fields like the music industry. And like

you, the sole proprietor, self-employed, and independent contractors constitute a significant part of Southern California's economy, and they have been adversely impacted by the SBA's cap on EIDL emergency grants of \$1,000 per employee. This cap is just not reflective of the congressional intent and hurts individuals like you who despite not having employees have high overhead costs like thousands of square feet of leased property.

So can you describe the impact the SBA cap on the emergency grant has on sole proprietors, self-employed, and independent contractors like you and your clients, and give us some sense of the unique burdens that these type of workers are facing during the COVID-19 crisis? And also, you described so many problems getting this emaciated loan. What would you do, what would be your top priority and things that need to be changed in the EIDL program?

Ms. SEXTON. Well, thank you. Thank you, Congresswoman.

Those are tricky questions a little because there are so many. You know, out of 120 members, we have got like 60-70 people who have their own businesses; right? And so right away one of the things that I did was, because I had so much access to small business assistance because I am so heavily involved in the Chamber of Commerce and working with a lot of different organizations, I was able to put a resource page together on my website to assist my membership. And a lot of the people were just frustrated. They would call me with the same frustrations that I was having, and then I would be calling my contacts, especially those from the LASBDC, who were fantastic by the way, and asking them to help me understand what was happening. But quite honestly, things changed so fast in the law, or I mean, not in the law, in the application process that even the industry, even the organizations that were helping us try to understand what was happening, they could not keep up. And so what happened was, when you would be getting an answer from somebody and have already heard that it changed, and then you would just be frustrated going, like man, where are you? Why are you not keeping up with this? Why is this burden on me? But my whole idea was, like, look, if I can keep these people in their positions, and if I can keep them working and keep them getting money, then I can keep my business; right? I mean, because that is what I do. I provide a workspace for them.

The frustration falls in the lines of just general stuff. I mean, lack of communication, not knowing what was happening. Some people were not smart enough to write down that loan number and 19 what? And then they would call people and the operators were misinformed giving bad direction to people on what the next steps were. And then it falls onto, you know, look, it falls onto looking for other money. And the PPP for me, because I do not have employees, is whatever. You know? I mean, you look at that and I am super organized. I have everything ready and then I get nothing.

And so I think the biggest thing quite honestly that the SBA could do is just communicate. Be honest with people. I need to know what I have to do because, and I believe the other gentleman, Mr. Gerstein said that, like, our bills are stacking up. We have got rent to pay. I mean, I can extend it. Sure, I can postpone payments but that does not mean they are going away. So what am I sup-

posed to do, you know? And so I really thought the EIDL loan, like I said before, I really thought it was going to save us. I really did. I mean, man, I was hoping on that. And now I am like, if it was not for my Go Fund Me, I would be out of the game. I would have to shut completely.

Ms. CHU. I appreciate the fact that you talk about the SBDCs in such a positive way.

Ms. SEXTON. Yep.

Ms. CHU. And it seems to me that if the SBA is overwhelmed in terms of being able to answer back to these loan applicants, why do they not deputize the SBDCs to inform people on the status of the loans?

Ms. SEXTON. I would agree that that would be an awesome idea.

Chairwoman VELÁZQUEZ. Okay. The gentlelady's time has expired.

Now we recognize the gentleman from Florida, Mr. Spano, for 5 minutes.

Mr. BISHOP. Madam Chairman, I do not see him on the call any longer.

Chairwoman VELÁZQUEZ. He was just there.

Okay. Now Dr. Joyce from Pennsylvania, you are recognized.

Mr. Bishop from North Carolina, now you are recognized for 5 minutes.

Mr. BISHOP. Thank you, Madam Chairman. And I will say I greet you today from our Committee room, and it is wide open and empty, and I certainly invite others to join me here whenever you can.

And I think, too, Mr. Whack, in particular, it has been a bit of a disadvantage and I apologize to you for the difficulty, sir, that you have encountered. It may be if this is the only way that you could appear before the Committee, then that would be better than not being able to appear, but I certainly wish that we had been able to just have you come in and sit down and not struggle over things like that.

I wanted to ask, and I guess I am trying to pick who, but I was listening to the conversation, it seems to me in order for this enterprise to be productive, we probably need to get beyond frustration to diagnosis and make an accurate diagnosis of the problem. The obvious import of the hearing is to lay blame at the SBA, but I guess if Dr. Gerstein is still available, yeah, I see Dr. Gerstein, maybe I could ask you. I sympathize because I have heard it many, many times and I have actually experienced it myself. And when I first learned about what EIDL was going to be able to do, you have heard the notion of putting out a fire with a garden hose; right?

Dr. GERSTEIN. Sure.

Mr. BISHOP. And so if you have got something, put a 1-inch hose to put water through and you have got a big burning disastrous fire, you may not make much progress. You mentioned the uncertainty a lot of witnesses have and I find it to be difficult to deal with as well, but is it not an inevitability of the nature of the problem that we have, this nationwide flatlining of the economy with the shutdown orders of the entire economy, does it not seem

to be that it would be hard to scale up a program that is designed for the spawn of a tornado or hurricane to be able to operate nationwide?

Dr. GERSTEIN. I am certainly not an expert in any regard. If you want to ask me about eyes, I am more than happy to answer any question on that. But how to implement policy in Congress, I cannot explain what is the best thing. But what I can tell you is the idea of the SBA giving a little bit to everybody to try to quell the disaster is no different than coming into a room where 1,000 people are dehydrated and offering them all just little sips of water and hoping you are going to save somebody. It just did not do enough to enough businesses.

Mr. BISHOP. Yeah, I got that point and it is a good point. And I just wonder if in the sense of your frustration that you experienced as you were going through this, was it, did you either back then or looking back at it now think that perhaps it was just an impossibility to take SBA's EIDL, normal EIDL program and suddenly scale it up so it could handle that sort of task? Did that go through your mind at all?

Dr. GERSTEIN. Well, you know, part of the, you know, first come, first serve basis that was emphasized, which showed me, and I knew that there was going to be a lot of demand, so yeah. I knew there was going to be a lot of demand. I did not know that the infrastructure and the SBA was not going to be able to handle it in any regard. But yeah, I am not surprised by that.

Mr. BISHOP. Ms. Kerrigan, and maybe if I follow it in the conversation I was just having with Dr. Gerstein, because you made reference to SBA sort of being able to scale up. You mentioned artificial intelligence. Is there some technical or technological solution that you believe exists that you could take a program like that, that it operated on the basis I suggested, and suddenly and accurately and with efficiency scale it up to be able to handle a disaster like this and just expect the agency to be able to do that?

Ms. KERRIGAN. Well, like I said I think both on my 5 minutes earlier and also in my written testimony that we knew this was going to be a huge lift for SBA because one is demand; right? We knew there would be a huge demand for this capital. And number two, you know, sort of the limited capital that was available. And I think, Congressman, that the reason why we did the PPP program was to alleviate; right? To alleviate; right? So that was sort of the sister program of like, okay, let's get the financial institutions involved. But they were two different programs, Congressman. You know, you had one that was like for, one was very restricted, 8 weeks to use the money as opposed to EIDL which was 6 months. So.

Mr. BISHOP. Let me interject because I have just got about 30 seconds left, I think.

I think your point is well taken, Ms. Kerrigan, and Dr. Gerstein, and the other witnesses. And I wish Mr. Whack was on. I think it would be easier if I could see him. But I think really what we see is the PPP program being able to bring in the private sector to leverage the government is what made a relevant success for PPP. And that was not without frustration either.

Ms. KERRIGAN. Exactly.

Mr. BISHOP. And so I think it would probably be helpful to decipher what lessons we should be learning as opposed to just expressing frustration and leveling it all at the door of the SBA.

Madam Chairman, of course, my time is expired. Thank you, Ma'am.

Chairwoman VELÁZQUEZ. Thank you, Mr. Bishop.

Let me just say, I welcome you for using the Committee room, and I also want to thank the cleaning crew who will now have to go into the room and disinfect. I also want to recognize that many small firms are able to join us remotely to testify without undue costs for travel, and I am glad we are able to facilitate a discussion without burdening small employers.

With that, let me recognize Mr. Evans from Pennsylvania. You are recognized for 5 minutes.

Mr. EVANS. Thank you, Madam Chair, again, as usual.

When the pandemic hit, business across the country were devastated financially, especially African American home businesses which declined 41 percent from February to April, the most of any racial group. As a comparison, White-owned businesses declined only 17 percent. Many Philadelphia small businesses have been struggling to make ends meet, which is why the Small Business Administration Economic Injury Disaster Loan is such a lifeline. Unfortunately, many of my constituents, including Mr. Whack, have been denied the EIDL loans because of unsatisfactory credit scores.

Now, Mr. Whack, I am going to ask you three questions based on my time.

Mr. Whack, what was your reaction when you received your denial letter from the SBA? Did SBA provide you any further details on your denial such as minimal credit score required? And then the CARES Act, Congress indicated that the SBA would use the application credit score or alternative methods to determine that applicant's ability to repay. Did SBA indicate that when it reviewed your application it used methods other than the credit score, Mr. Whack?

Mr. WHACK. Can you hear me, Congressman?

Mr. EVANS. Yes.

Mr. WHACK. Part of what I have been [inaudible] long wait but when I finally did get a letter there was no other reason other than the unsatisfactory credit report, nor was there any way in that letter that I could have addressed that. I mean, how about if there was something in my credit history that I could have corrected or explained or whatever? It was just like something I thoroughly did not anticipate, and other than contacting your office I really had no alternatives. I mean, what was I supposed to do?

Mr. EVANS. So they did not tell you in the CARES Act Congress indicated that SBA may use an applicant credit score alternative method. They did not say that to you; right?

Mr. WHACK. I have never heard that. It was not stated, and I pay very close attention to the news, CNN, MSNBC, and other printed material, and I was following this to see that when I was going to apply I had everything that I needed to do this properly and I was just unprepared for this. That is the best way to put it

to you. I had no notion that they were going to use your credit score as a basis for accepting or denying an applicant alone.

Mr. EVANS. Mr. Whack, can you explain all the costs you are now paying yourself including unreimbursement from pharmacy benefits, when patients cannot afford their prescription?

Mr. WHACK. As I stated earlier, it is particularly bad because pharmacy is such a difficult field now in terms of the HMOs, in terms of you need an inventory which means you go to a wholesaler. The wholesalers now are getting, they are ratcheting down. I mean, my competitor, CVS, Rite-Aid, they do not have wholesalers. See, I go to a middle person to purchase prescription drugs. Rite-Aid, CVS, they have their own warehouse. They go directly to Medco or SmithKline or whomever. They bypass this. And it has put me through a tremendous stress because now the wholesalers, when you fall behind in this industry, they put you on COD. Can you imagine trying to be COD with 1 week's invoices could be like \$16,000, \$18,000, \$20,000? That is particularly stressful, and I have no real alternatives to deal with this. I mean, the wholesalers who supply us with the things we need to do our job are understanding but they are in business after all. They are not going to continue to extend courtesy or forbearance for any great length of time. That is the other part of my anxiety. I do not know at what point someone is going to call and say, listen, this is it. You cannot order anymore. What am I supposed to do then?

Mr. EVANS. Real quick I need to, Ms. Sexton, you applied for the EIDL loan of SBA and received much less than you requested. Did the SBA explain why you received a lesser amount?

Ms. SEXTON. Absolutely not. No explanations were given. You are literally just put in a position where you accept the amount and that is that. Yeah, it is a real problem.

Mr. EVANS. I yield back, Madam Chairperson. I thank you, Madam Chairperson for your leadership on small businesses and everything you have done. So wherever you want to be, I am going to be there.

Chairwoman VELÁZQUEZ. Thank you. Thank you.

Let me again call on Dr. Joyce from Pennsylvania. Is he on?

Okay. Now we recognize the gentleman from Illinois, Mr. Schneider.

Mr. SCHNEIDER. Thank you, Madam Chairwoman. And I want to thank the witnesses for sharing your perspectives and experiences. This is obviously a very difficult time for everyone but for small businesses in particular as the witnesses have highlighted so well today, the anxiety of trying to keep your doors open, trying to figure out how you are going to just make it through this and to overlay that as you have so eloquently shared with the uncertainty, it was wonderful.

As you have attested very well, the SBA's Economic Injury Disaster Loan, the EIDL program is a vital lifeline for businesses in a crisis. It has been in the past and it should have been that during this COVID pandemic. But it only works if the SBA gets the money out the door. The program can be useful for businesses in planning for long-term future in the midst of a crisis and it is necessary and should have happened that we give these owners the information that they need like the status of their loan application,

when they can get the money they are counting on, and allow them to make the difficult decisions if money is not going to be available.

More than a month ago I wrote a letter with Chairwoman Velázquez joined by 100 members of the House to the SBA outlining our concerns with the EIDL program, calling for the SBA to create an application queue for new applicants and to provide the current applicants an update on their loan status. Unfortunately, these issues still remain unaddressed.

Dr. Gerstein, I so appreciate you sharing your voice as a small business owner from our community here in Illinois, and I am glad that small business webinars that I and my team organized helped navigate the process and that our caseworkers could be a resource to you. But the detailed timeline you laid out, the long periods of no information from the SBA was not unique and was incredibly frustrating. I felt badly for what you were facing, and as you and I talked about we saw it with so many other businesses around our district. I cannot imagine what it was like living through this time as a business owner.

As you have said and said very well, uncertainty kills businesses. Without updating the information on loan status, contrary to being a resource, the EIDL program, the way it was administered became a hindrance towards achieving long-term planning because business owners just did not know what they could rely upon.

So if you would, please, can you just give two issues from your experience? As you were working through the process, you were also navigating the world uncertainty that comes from operating a business during a pandemic. How did the lack of information hamper your ability to make the long-term plans for your business?

Dr. GERSTEIN. Well, it paralyzed us, quite frankly. I did not know, going through this process the initial description was 3 weeks and then 5 to 7 days that you would receive the income. And after 3 weeks and then 4 weeks, we just did not know what to do or if I needed to look for capital elsewhere or not, would that have been a waste of time? You know, and then I was behind the line of all the people who went that different avenue. So it was quite paralyzing. And I was really kind of mired with the SBA and just at their beckon call to see what was going to happen.

Mr. SCHNEIDER. And Mr. Whack, Ms. Sexton, was your experience similar?

Mr. WHACK. Can you hear me?

Mr. SCHNEIDER. I can.

Mr. WHACK. Okay. My experience was very similar, and I would best characterize it as traumatic. I mean, I have been on pins and needles trying to keep things afloat, keep going, and hoping that I would get an answer. And when I got the answer, well, it was no, but it was just so vague and such a strange response I just was not ready for this.

Mr. SCHNEIDER. And I am sorry; I only have a minute left. So Ms. Sexton, you laid it out very beautifully in your written testimony about how much stress this was. Is it still stressful?

Ms. SEXTON. Yeah, I mean, of course. Of course. I mean, I have to, I am literally, I have to close my largest location and that is going to take out two-thirds of my income. I mean, two-thirds of

my business that I created up to 4 years of busting and making that happen.

Mr. SCHNEIDER. And Dr. Gerstein, you know, the other thing we talked about is this arbitrary cap at \$150,000. How has that impacted your planning for the future?

Dr. GERSTEIN. At this point now I am looking at alternative aspects for capital. You know, I did send a letter with documentation to the SBA. I am still to this day waiting to hear from them and see if I am going to be granted more income. But now I have to look at different programs through banks and other aspects in order to try to just keep us going until we get back to normal.

Mr. SCHNEIDER. Got it.

And my time is expired. I would ask, Madam Chairwoman as we proceed in this, one of the things I think we also have to explore is why did the SBA think it was prudent to not disclose the information about changing policies? Why did they not give an alert that we were running behind? The greatest frustration sitting at an airport is when they do not tell you why your plane is delayed. That is an inconvenience. How that was delayed and these other things is devastating for these businesses.

Chairwoman VELAZQUEZ. That is why it is so important that we have them come before the Committee, and we expect for them to comply with our report.

Mr. SCHNEIDER. I look forward to that.

Chairwoman VELAZQUEZ. The gentleman's time has expired, and now we are going to recognize Dr. Joyce from Pennsylvania. I believe he is on the phone.

Dr. Joyce?

Now we will recognize the gentleman from New York, Mr. Espaillat for 5 minutes.

Mr. ESPAILLAT. Thank you, Madam Chair. Let me thank you for the great work, the lifesaving work that you are doing as the Committee leader. When I testified before the Committee, as a member of the Committee, I said that small businesses were mad as hell. I was mad as hell. I am sorry to report to you, Madam Chair, that they are still mad as hell.

The PPP program originally was a disaster. You did great work, Madam Chair, in carving out those \$60 billion so that the money will go to CDFIs, credit unions, and local banks which I think have a longstanding relationship with small businesses. But we saw how the traditional banks favor their perceived customers. And some of them have to shamefully return the money back. And so this \$60 billion that you allotted was very helpful. However, it is not enough. And of course, you know, now we see how this credit score business is being introduced. If you have A+ credit, if you can meet payroll, if you have liquidity and you have access capital, the bank comes to you. You do not need to go to the bank. If you go to the bank when your credit is hurting, when you are striving, when you are hurting to make payroll and just squeezing by, when you have no money to expand and you have very little collateral, that is when you go to the bank. And so if the bank is shutting you out then, then we are in trouble.

Now, I know that we are going to need to do far more with small businesses, Madam Chair, and I know that your heart is in the

right place. I work with Chef Kwame, who is an internationally acclaimed chef based in D.C. but is originally from the Bronx, from Webster Avenue in the Bronx. He has won the James Beard Award, the most prestigious award for a chef. He is a young guy, I believe right under 30 years old, and he has an independent group association of restaurants. Restaurants which in many cases define the character and the reputation and the personality of a neighborhood. We all go to a particular restaurant in Harlem, East Harlem, Washington Heights, in Red Hook, Madam Chair, your neighborhood, across the country because they define those neighborhoods. They are hurting, and these businesses are marginal businesses that we work our profit, you know, it is very tight to begin with. In fact, most of them just make their money at the bar. So I think that we are going to allot a specific amount of money to restaurants so that we can save them. And I think there are several businesses, areas of businesses where we are going to have to be laser-focused to rescue. I think the Independent Restaurant Association, which has a great number of very good restaurants and that provides thousands of jobs to people from all over the country, we are going to need to really help out and allot some specific money to them so they will be able to open. Most of them are going to open and they are going to do it on the sidewalk, outside cafe and the streets are going to be converted. But no one is going to rush back to a crowded restaurant, so their income is going to be limited. And unfortunately, unless we help them, many of them will close, and as a result we will lose hundreds of thousands of jobs. So I want to thank Chef Kwame who is a young rising star. He is right there at The Wharf in Washington, D.C., Kith and Kin. And so he is like a guy that is leading the movement for that business. And there are other businesses that I think face the same kind of challenges.

So Madam Chair, we are going to have to go back to the drawing board and really do better for small businesses. And thank you for your work, and I yield back the remaining part of my time.

Chairwoman VELAZQUEZ. The gentleman yields back.

With that we are coming to the end of this hearing.

I want to take this opportunity to thank all of the Members for participating in such an important oversight hearing. I also want to thank all of our witnesses for their testimony and for offering the main street view of the SBA EIDL program.

By sharing your experiences with us today, we will be able to conduct more effective oversight and continue to optimize the EIDL program. We have heard some rather troubling issues in your testimony, and I assure you we will be following up with SBA on each one.

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 2:49 p.m., the Committee was adjourned.]

APPENDIX

My name is Nancy Sexton and I own The Muse Rooms Coworking business with two locations in North Hollywood and Burbank, California. Coworking is shared office space, like WeWork, but our space has a creative, non corporate, inclusive flair. We offer open space seating, dedicated desks, and offices. We have grown our business from nothing to over 140 members prior to COVID19.

I didn't start in the Coworking business in California, I was born and raised in Ohio. Our family was not wealthy, in fact we had an outhouse for part of my childhood. My father was a welder and my mother a factory worker. I am the youngest of five and part of my family still lives in Ohio. I attended the University of Akron on a full ride basketball scholarship. Then, I lived in New York City for almost 12 years and I was there for 9/11 and the Black Out. I also lived in Italy for four years where I was a recording artist and had four number one hits and as a model walked the catwalks of Versace and Krizia. When I moved to LA, I starred on two TV shows as a personal trainer, I have written two books, and I am a published poet and a produced screenwriter.

I tell you about my accomplishments because I want you to understand that outside of marrying my husband, The Muse Rooms has been my greatest life accomplishment.

In August of 2015 I hatched the idea of The Muse Rooms Coworking Space. My husband loved the idea and we both agreed to move forward. I had never written a business plan, so I got online and figured out how to write one. We only raised a third of the financing to get started, but we moved forward, found a location in North Hollywood, pinching every penny and calling on our friends for help.

We didn't know what we were doing, but we were determined by our vision. We were both handy with a paint brush and hammer, so we dug in. I did research, we discussed the type of space we would enjoy working in and then built the website, he created our logo, I taught myself CRM, SEO, and marketing. When we started, I ran our billing through PayPal and managed our membership on an excel spreadsheet. I was literally piecemealing it all together. Luckily, my dear friend Beverly Durham stepped in to help me with our branding and we were off.

I can remember being so excited when we got our first phone call and then our first member. We slowly built our little 2,000 sq. ft. space into a community and by the summer of 2016, we decided we should open our second location. Proudly, we opened our 8,000 sq. ft. space in Burbank in November that year, without the financial help from anyone else.

In the summer of 2017 we were given the opportunity to expand our North Hollywood location by another 3,000 sq. ft. and by November of 2017 our two locations went from our original 2,000 sq. ft. to 13,000 sq. ft. and since the expansion we have acquired another 700 sq. ft. of space in our North Hollywood location.

By 2019, our business was on a consistent climb, finally making real money, with established brand recognition, and we were able to breathe easy with our personal finances.

Then COVID19 started and while the rest of the world fumbled and frantically responded, The United States did nothing. However, my husband and I were fortunate to hear from dear friends of ours in Milan, Italy and the severity of this pandemic became very clear to us. During the first weeks of March we proactively implemented social distancing, promoted frequent hand washing and cleaning of high touch surfaces ahead of any local, state or federal guidelines. Because our Italian friends continued to provide real "boots on the ground" play by play of what was happening and how serious it all was, on March 16th I emailed our membership and told them that we would be closing our doors March 17th to help the fight against COVID.

Closing our business was like getting the wind knocked out of me. I was in tears over it, but it was the right thing to do. We also chose to discontinue billing during the months of April and May while other coworking and membership-based businesses had not, but we just couldn't justify charging members for a service they couldn't use.

I spent the next few days organizing a resource page for our membership and the public on our website. I also started gathering the list of documents I knew I would need to apply for the EIDL Loan.

On March 19th Mayor Garcetti issued the Stay at Home Order and on the 20th I was tuning into different webinars about how to apply and what loans to apply for. It was on this call that I heard Mike Daniel, the Regional Director of the Orange County Inland Empire SBDC Network speak. After the webinar I reached out to Mike for help with applying to EIDL. Mike was great; he directed me to Ted Hiatt of Long Beach Community College and Nate Jemison of LA SBDC Network. They helped me tread the SBA loan waters and helped me get all my ducks in a row regarding the documents needed for the EIDL loan. At that time there were around 8 different docs that were required.

On March 23rd I finally had all my docs ready to go so I made my first attempt at applying for the SBA EIDL loan and was issued the loan number 200058**** then the system crashed and I called the SBA 1-800 number and was on hold for 8 hours. On that call I was told to go back onto the site, login and upload my documents. So, over the course of a few hours as the site kept crashing, I uploaded my documents.

A few days later I called to make sure the docs had been received and after being on hold for another 5 hours I was told that the upload of my documents didn't go anywhere and that I would need to fax them so I took a deep breath and faxed the documents.

At this point I was getting very upset at the process and the lack of organization of the SBA. And fax? Really, what year is this?

On March 26th I called back again and was on hold for 5 hours again and was finally told that "oh no, don't fax, that won't go anywhere, just email all your documents to us." So, I sent three very clearly marked emails with my SBA assigned number in the subject line per the SBA reps' advice. He told me to call back Monday to check if I wanted to. So, I waited until Monday the 30th to call. Again after a few hours on hold I was told, "oh no, don't email that won't go anywhere. You just have to sign up with our new quick easy portal." I explained that I already had an SBA number and I was told, "yeah that doesn't matter, you'll need to do it again."

I wanted to throw the phone through the wall. I wanted to scream, but I did not, I went back on the site and applied for the "advance" which I could only assume was for the EIDL loan though it was so confusing. I just hoped that I had gotten it right. In the following days I called to make sure that my application had gone through, and even though the wait times for an operator had shortened, I couldn't get a clear answer on anything. I had never received an email saying my application was accepted, I never received an update of any kind, I was once again lost in the abyss of the SBA EIDL loan process. Luckily, I was smart enough to write down my loan number when it was assigned on the site. The only thing I was told was if you have a loan number, you will next get an email telling you to create an account and the loan process would continue. I would be assigned a loan rep who would take my documents, find out how much money I needed and finalize the loan. That did not happen.

During the next few weeks I didn't hear anything and honestly I was just spent and exhausted by the previous ten days, so I held my breath and hoped everything was moving forward. I did hear that my neighbor who had applied at the same time as me, had gotten his loan approved and the money was deposited into his account. This gave me hope I might be able to catch up my rent and pay my landlords.

On April 21st I received \$1000 "advance" in my checking account. I do not have employees so that's why it was only a grand. I was thrilled to see it and decided to call in and see if we were anywhere closer to next steps. I was told they could see that I was in process and that I would get an email, or a phone call and the loan rep would finalize my loan. I took a breath and tried to stay calm.

April 24th, I called to get an update, but was told they couldn't see my file, but that was a good thing because it meant that I was assigned to someone.

I was getting really concerned that something was wrong, so on April 28th I called and spoke to an operator named Ralph, operator #1770 who at first was looking at my file, but when I tried to ask him a question he started getting very aggressive until he started telling me that I had personal issues and when I told him he was upsetting me, he said yes he could tell, then he told me that I was trying to control the conversation and that I wasn't allowing him to do his job. It was an amazingly stupid conversation. The only thing that he told me that was useful was that my account had been flagged because my credit was frozen. I told him that I'd double check with my husband, but that I didn't think it was possible which led to him yelling at me some more. Then, he grew quiet and became a different person. The whole situation was unprofessional and truly unacceptable.

After this call with Ralph, I took a moment to cry, scream and gather myself and call back, hoping to get another person who might have more info and because I was truly afraid that this guy Ralph might have messed with or deleted our file. I got on the phone with Tiffany who was much more helpful. She told me that my file had an error on it and that it looked like it had something to do with validating my bank account, but she wasn't sure. She also said that my file wouldn't move forward with this error, but the only way to get it removed would be for it to move forward, so I was now stuck in a catch 22 of the SBA EIDL loan process. Tiffany was very nice and said she would email someone, but I never heard anything from anyone.

April 30th I hadn't heard from anyone and the only thing I knew was that my file was stuck in limbo, I reached back out to Ted to see if he knew anyone who could help. He was able to find out that this issue was my bank and that I should call and ask for a "tier 2 advisor" and explain that I needed to verify my bank account. I called and was told my account was now verified and then told the next step would be the email or call to create an account and finalize the loan based off of my business documents.

On May 1st my credit was pulled so we were extremely excited that the loan would be moving forward. Then crickets. Nothing. The only thing that I was told was that they were no longer processing EIDL loans for anyone except agricultural businesses.

I spent that day in a puddle of tears and wine. I was beat, exhausted, depressed and scared. In addition to the fear of contracting COVID, dealing with the loss of friends dying from COVID19 and watching our nation fall apart, I now had two landlords pestering me about missed rent payments, coworking members calling me to cancel memberships and no evidence of help in sight. I was so stressed out I thought I was going to have a heart attack.

Then I hear that the SBA is now only giving out \$150k per loan. I thought, we are still OK. Certainly, we will get the loan for the amount we need, since it wouldn't exceed \$150K.

After another week with no updates or developments regarding our EIDL loan, on May 6th, I launched a GoFundMe campaign, Save The Muse Rooms, and a fundraiser on FB. I'd lost hope that our government or the SBA would help us keep our business afloat during this pandemic, so I reverted to who I knew I could depend on, friends and family. Over the course of two weeks we were really rocking and raised over 13 thousand dollars. I even started singing songs if you donated more than 25 bucks!

Then finally on May 16th I woke up to "the email", the SBA EIDL was going to save my business. I was so excited to create my account and log in, but then was immediately deflated to see that the amount offered wasn't even going to cover a month of expenses. I called SBA right away to find out how to get the amount changed and the woman on the phone reads to me a statement that she is supposed to read to people who are asking about getting more money than what is being offered. She reads the statement and tells me that they are limiting the amount of money to businesses so that all applicants can get some money.

After weeks of torment and waiting and being told I would get to talk to someone to state our case for an amount we actually need to sustain our business, I am presented with an amount that doesn't even cover the past due rent I owe. I called Ted and asked him what I should do, and he said just take it because you may not get another

chance if you turn down this loan. So, I accepted the amount. An amount that does not save my business, but in fact, has forced me into a position where I now have to close one of my two locations.

On May 19th the loan was deposited into my account and this week we made the very emotional and difficult decision to close our NoHo location, over half of my overall business, erasing over two years of hard work at a significant financial loss. We honestly thought that the SBA EIDL loan was going to save us, but now we realize that the only thing that is going to save us is our ability to downsize. We are fortunate that we can at least do that.

I do appreciate the opportunity to share my story and experience with the EIDL loan process and hope that it helps the SBA find a better and more efficient, stress-free system for the future. I know that it would have made the 58 days that I spent in limbo a lot easier.

Thank you for your time,

Nancy Sexton, Owner

The Muse Rooms

Jerome Whack
1947 Christian Street
Philadelphia PA 19146
(215)-545-3582

June 8 2020

RE: SBA Disaster Loan 3300629564

Congress of the USA
US House of Representatives
Committee of Small Business
Washington DC 20515

Distinguished Congressional Committee Members

Please accept this written testimony in advance of my scheduled appearance of Wednesday June 10 2020. I have resided in the City of Philadelphia for over 65 years. The Covid-19 pandemic has severely crippled my business. The inability to effectively manage an independent retail pharmacy under optimal conditions is a delicate balance. Narrow profit margins and ever changing tardy reimbursements by pharmacy benefits managers (PBM) make it difficult. Chain store corporations like CVS, CareMark, Medco, and Walgreen are the new 20th century brands of monopolization. These corporations engage in marginalizing and increasing market share. Retail pharmacy profits have plummeted. According to The National Community Pharmacists Association (NCPA) The profit margin for independent retail pharmacies range from 3% to 5% annually. Low volume pharmacies fill between 10 to 100 prescriptions per day. Medium volume pharmacies fill between 100 to 200 per day. High volume pharmacies fill greater than 200 prescriptions per day. Co-pay losses from patients make cash management nearly impossible. Co-pays vary from various plans at a low of \$2.00 per prescription to as high as \$15.00 per prescription. The pharmacist is placed squarely at odds against the patient filling prescriptions at a loss. Pharmacies are losing hundreds of dollars in co-pays each week. PBM's (Caremark, Medco, Walgreen) are the largest in the USA. These PBM's have drastically cut reimbursements as much as 15% to 25% off the Average Wholesale Price (AWP). Pharmaceutical wholesalers e.g. McKesson, Cardinal and Walgreen now require minimum monthly purchases of \$50,000 to \$100,000 per month. It is a conflict to depend on the a business's competitor to be paid. The future remains bleak for Christian Street Pharmacy when factoring in devastating market conditions along with the Covid-19 crisis.

The fundamental mechanics of paying PICO PGW Water Bank Notes Wholesale weekly payments and City of Philadelphia Property tax agreements have caused a financial disaster. The current Social financial and business decisions have caused the present crisis. I ask this congressional committee to diligently inquire into the methods for denying EIDL loan applications. Credit checks as a standard for denial or even approval is grossly misleading. What are the parameters for "unsatisfactory Credit History"? Are small businesses being fairly considered?

Respectfully


Jerome Whack

Madam Chairwomen, Members of the Committee—thank you for inviting me to speak today to the Committee regarding my experience with the Small Business Association with respect to the Economic Injury Disaster Loan Program

First, I would like to introduce myself. My name is Dr. Craig Gerstein. I am an Ophthalmologist who has been in private practice on the Northside of Chicago for the past 20 years. The practice itself has been providing care to the Northside of Chicago for over fifty years. As the COVID-19 crisis hit my area, I elected to keep my thirteen employees employed and maintained limited office hours for emergencies and for those patients who required monitored care. My office volume had dropped to 15% of normal patient volume and I was no longer able to operate. I needed to look for help in order to stay viable. To further highlight the issues my practice had with the EIDL program—allow me to walk you through the process of applying for the loan and the subsequent events that furthered my stress and uncertainty as a small business owner.

The Pandemic's immense disruption of my small business demanded that I needed assistance in order for my practice to survive. It was at that time I listened to a webinar on small business resources hosted by Congressman Brad Schneider. On that call, which was attended by over a thousand constituents, a representative of the Small Business Administration detailed the Economic Injury Disaster Loan Program and the application process—which required several uploaded documents including business and personal tax forms as well as personal liability statements. The process was said to take about three weeks, and once approved, the loan would be received in five to seven business days. Loans would be evaluated on merit and would be distributed on a first-come first-serve basis. I spent most of the evening locating the forms I would need to download, and the next day on March 24th, I began the process to apply for an EIDL loan. Despite several crashes of the website, I was able to complete my application 13 hours later—I needed to complete it over an elongated period of time because it was known that the website was going to be taken down to handle the increased traffic.

Soon after completing the required documents and submitting them with the application, I received an email from the SBA that my application had been received (Application #2000576078). On March

27th, I received another email stating that my application was under review. Then the nervous period of waiting for the assistance that determined the future of my practice and employees began.

Throughout the following three-week waiting period, I called the SBA Help Desk to ask questions with the intention of clarifying the loan amount, how would I be contacted upon approval of the loan, and other vital information. However, each attempt to utilize the Help Desk was an enormous time commitment. I had called the help line several times while filling out the application. These calls would be a task unto themselves, as each call was at least an hour on hold. At one time I even spent over two hours waiting to ask a single question.

On April 7th, I called the Help Line to ascertain a status of my loan only to be told that it was pending. I was also told that in three weeks, the loan officer would contact me regarding my approval and discuss the amount I needed and could borrow. After 3 weeks from my completed application, the status on the portal changed from "pending" to "your recent Covid-19 EIDL application has been received. **Please reapply** at the following website to complete your self-certification." I immediately called the Help Line and waited over 2 hours on the phone for a representative who was unable to explain the message and why I needed to reapply. After a three-week waiting period, after following the required instructions and submitting an application online, I was told to reapply and spend several more weeks without the ability to guarantee the future of my practice and the employment of my staff.

I completed the new self-certification form, hoping that this was just an addendum to my application, but then I **received a new application number - Application #3303842539**. I immediately called the SBA Help Line again, trying to figure out why I had two numbers. I was concerned that I was going to lose my position in line as the loans were said to be first-come, first-serve. The Help Line representative was unable to answer my questions and did not know why I had two application numbers. I wrote a detailed email to the SBA Customer Service email address, and never received an answer to my question. Instead, I received a response that directed me to three options: Either connect to the website application page which had been taken down, call the help line, or write another email. After weeks of waiting in uncertainty, the SBA could provide no answers and left me in a helpless position. I couldn't use the website which had been removed, the Help Desk had

no answers and could not address my concerns, and the email service offered nothing but an automatic reply. In desperation I continued to send several emails to the Disaster Customer Service hoping that somehow one would get answered, and I contacted Congressman Schneider's office for help in navigating this situation.

While the Congressman's office attempted to get information from their SBA liaison, I once again called the Help Line almost four weeks out from my completed application date. At that time, the SBA representative explained to me that loan applications submitted prior to the newest version of the CARES Act **were disregarded and that individuals needed to reapply**. There was no notification as to the changes in the CARES Act, as well as no notice that I needed to reapply. The lack of communication contributed to an already strenuous situation, and I was never given an explanation on why my first application was tossed out nor why I never received notification.

I finally received an email response from the Disaster Customer Service on April 25th that simply stated "you had to reapply because SBA developed a new streamline application process and those who applied before (through the old process) had to reapply." I received this notification as the SBA ran out of funds from its first round of applications and thus shut down their application process.

These repeated miscommunications and logistical frustrations furthered an already difficult and worrisome experience. I did not know if my once completed application that was being "processed" would ever be considered, unable to reapply if it had been rejected, and I did not know what having two application numbers meant for my positioning in line for the loan. At the four-week period, the SBA liaison was giving the Congressman's office vague answers regarding my situation and I had nowhere to turn within the SBA to seek answers for my questions and assistance with my situation.

Uncertainty kills small businesses, and these processes built extreme pressure on my practice. We do not have the luxury of time. Invoices, rent, utilities, health and malpractice insurance payments, and the salaries for my staff continued to accumulate with no realization of how I would be able to cover those expenses. I needed the information and loan details that would have allowed me to decide to keep going or to close up shop—decisions that need to be made in real time with concrete answers. Unfortunately, hope doesn't pay the bills or put food

on the table. I felt as if the institution tasked with helping me through this crisis could offer no help or guidance.

Fortunately, after a six-week waiting period (which was supposed to be no longer than 3-weeks from the submission of my application), I received notification that I was approved for a loan—yet was not given the opportunity to discuss greater need with an SBA representative. I accepted the loan and sent an email with documentation to support a greater need of additional funds, but to this date have not received an answer from the SBA. I understand this is likely the result of demand for this crucial emergency support, and suggest the need for loans for so many small businesses in the wake of this crisis is indicative of a priority government must embrace.

I hope my experience highlights that while the SBA and the CARES ACT were designed to aid small businesses' needs especially during times of crisis, the lack of infrastructure, and transparency surrounding the SBA contributed to the stress that I and other business owners were experiencing during the economic uncertainty of the COVID-19 pandemic. The reality of the process in dealing with the SBA and specifically the EIDL program fell significantly short of what was promised through rhetoric and reassurances. I hope in the future, or as we prepare for further periods of uncertainty as this pandemic continues, there is more done by Congress to hold these loan programs accountable, and to ensure that the SBA is able to properly allocate the needed funds and communicate to the millions of small businesses owners during a time of great uncertainty.

Thank you for allowing me the time to address this committee today. It was an honor to be allowed to convey my experience with you, and hope I was able to offer helpful information through my personal experience with these resources.



**The Economic Injury Disaster Loan Program:
A View from Main Street**

June 10, 2020

Testimony of:

**Karen Kerrigan
President & CEO
Small Business & Entrepreneurship Council**

Before the:

**Small Business Committee
United States House of Representatives**

**The Honorable Nydia Velazquez, Chairwoman
The Honorable Steve Chabot, Ranking Member**

Protecting small business, promoting entrepreneurship

Thank you for the invitation to participate in this important hearing today regarding the effectiveness of the Economic Injury Disaster Loan (EIDL) program for Main Street businesses. Your leadership Chairwoman Velazquez and Ranking Member Chabot on the many issues impacting small businesses during the COVID-19 crisis is very much appreciated by the Small Business & Entrepreneurship Council (SBE Council), our membership and network of business organizations across the United States. All committee members are to be commended for their hard work and support of small businesses during this extraordinarily challenging period.

The Committee's early focus on how the federal government can effectively support small businesses, including the need to make modifications to the Paycheck Protection Program (PPP), is making a major difference in helping small firms survive the economic devastation triggered by COVID-19. Obviously, there is significant loss in the small business community, but your early intervention and doggedness has made a positive impact, especially as the economy begins to "reopen."

I am honored to be here today to represent the Small Business & Entrepreneurship Council (SBE Council). SBE Council is an advocacy, research and education organization dedicated to promoting entrepreneurship and protecting small businesses. For 25 years, SBE Council has worked on hundreds of policy and private sector initiatives to strengthen and improve the ecosystem for startups and small business growth. Over those 25 years, our small business members have experienced major challenges and setbacks. The COVID-19 crisis is like none other, as the sudden and fast-moving actions to mitigate the spread of the virus resulted in a dramatic drop off in economic activity, whereby many healthy businesses saw their revenues either plunge or dry up completely.

That is why access to capital continues to be a top priority and need for many small businesses. According to a research report released by the Small Business Roundtable (SBR) and Facebook on May 18, 2020 ([State of Small Business Report](#)), the biggest challenges faced by small businesses include cash flow and lack of demand. While re-openings across America have launched the recovery period and sparked both demand and hope for many small businesses, big challenges remain. According to a [Lending Tree survey](#) released on May 28, 46 percent of small business owners expect fewer customers and sales upon reopening. In fact, only 17 percent expect to see customer sales returning to pre-pandemic levels. Re-opening the doors and stocking up will be difficult for many, as 46 percent of small business owners cite funding as the primary obstacle to reopening.

PPP and the Economic Injury Disaster Loan (EIDL) program were meant to help fill the capital void to get small businesses and their employees through the COVID-19 shutdown period. To that end, SBE Council is pleased that H.R. 7010, the Paycheck Protection Program Flexibility Act, and needed changes to PPP have been signed into law. The flexibility and modifications couldn't come soon enough, and again, SBE Council is grateful that Small Business Committee members stepped up as early advocates for reform and brought attention to the needed changes [in the Member Day hearing](#) on April 23. It was clear that many committee members talked directly to their small business constituents about PPP restrictions, which translated directly into legislative changes.

We will continue to monitor PPP and forthcoming guidance to ensure it is working for our diverse small business economy. SBE Council will also continue to push for common-sense changes and clarifications, such as making cloud services a forgivable expense under PPP. These services are as essential and valuable as utilities and the internet for most small businesses, as they have allowed entrepreneurs and their employees to pivot to new business models, enabled employees to collaborate and work at home, made it easier and seamless to meet payroll, and provided tools to market and sell products and services during the COVID-19 shutdown.

Regarding EIDL, on paper, and as advanced by the CARES Act, it was a program that was ideally suited for many types of small businesses. Many business owners were pleased to see a program pass Congress that would meet their immediate capital needs, and with speed. Yet the execution of EIDL has gone badly, and hundreds of thousands of small business owners have been left demoralized, confused and angered by arbitrary changes to the program or lack of communication regarding the status of their applications.

The key areas in EIDL's breakdown, as communicated by our members and small business owners across the country, were sad to hear. Particularly because many were desperate for capital to get them through the COVID-19 crisis. Many of our members have shared their stories over the past two months, and the one I am sharing below is typical of their EIDL experience (with the exception being a pivot to the Main Street Lending program mentioned by this business owner).

Our company (name of company withheld as a privacy matter) is a NYC-based business and like other hospitality businesses we have been decimated by COVID-19.

As soon as New York State was declared eligible for the Covid-19 EIDL program we immediately applied on 3/20/20. We followed up a number of times by phone with the SBA's Help Center over the subsequent 2 weeks and we were told our application had been received and was 'in process.'

However, when we followed up again on 4/4/20 we were told that the process had changed and we needed to submit a new application which we did that same day. It was very discouraging to learn of the process change in this manner and even more disappointing to find out that the funding was soon exhausted in spite of our diligence in applying early.

Thankfully, an expanded EIDL program was signed into law later in April but we still haven't heard any definitive status update from the SBA.

Each time I call the SBA's customer support line I receive conflicting answers. It was even more discouraging to learn via a Washington Post article that the EIDL loan amount is now capped at \$150,000. I know the SBA has refused to validate that report but it is now assumed to be correct. I respect the initiative to get funds to all businesses but a \$10M annual revenue business naturally has higher working capital and fixed costs than a \$1M annual revenue business. There has been zero disclosure on how \$150,000 was determined. We are a large small business that operates in NYC so our fixed / operating costs are higher than most.

businesses Any additional capital would help but we were expecting to be closer to the historical \$2M limit

The SBA has a herculean task managing through this crisis At its core the EIDL program was a perfect program to help small businesses manage through this challenge

- *relatively low interest rates*
- *long maturity debt*
- *flexibility to use the funds*

Given the consistent lack of disclosures around the program and timing uncertainty we are now looking to pursue funding via the Main Street Lending Program The Main Street Lending Program tradeoff is a much shorter maturity vs EIDL but seems to offer higher borrowing amounts

Again, the experience that this business had with the EIDL application process was a very common experience That being the case, some of our members did receive funding but at far lesser amounts than what they applied for

What's the Status of My Application? Like most small business organizations, SBE Council anticipated a massive demand for EIDL funds The flood of applications crashed the Small Business Administration's (SBA's) system Somewhere between the crash and subsequent fix, many small business owners were left confused about the status of their applications Some of our members did receive an application number immediately after applying for an EIDL loan, but many others did not Some turned to the phone (with long wait times) to talk to an SBA representative either about the receipt of their application and what comes next, or the status of their application because they heard nothing Oftentimes, these issues were not rectified after talking to a representative by phone

For those confused about their application status, many small business owners wondered if they should apply again Some were advised that they should, and many did The upshot of these early challenges in launching the EIDL program was that the 3-day response time required by the CARES Act was never met for most And the lack of transparency and communications with applicants, and potential applicants, was a problem that continued beyond the early launch days

The "\$10,000" Advance/Grant Many SBE Council members thought this element of the EIDL program sounded too good to be true, and it was A change was made to the \$10,000 advance, which placed a limit of \$1,000 per-employee The change was never formally announced, and small business owners only learned about it when they received their funds or through peers Once groups like SBE Council learned about the cap via our members, it was a scramble to determine if this was actual SBA policy so that we could communicate this to our members This lack of transparency and communications was disappointing and demoralizing for many small business owners

The Mysterious \$150,000 Loan Cap The maximum EIDL amount allowed under this program in the CARES Act is \$2 million, but \$150,000 appears to be the working number at SBA Again,

there was no communication about this cap, only rumors and ‘ off-the-record ’ confirmations with SBA regional staff. If there was more transparency about the \$150,000 cap (why that number was chosen), along with formal communications that a cap was actually put into place, a significant number of small business owners would have never applied for an EIDL loan. These small business owners wasted a lot of time doing so.

Farmers and Ag Only Need Apply We love our nation’s farmers, and we count farmers and agriculture businesses among SBE Council members. We thought it was a good idea to let these businesses into the program, but providing businesses in this sector with their own exclusive window to apply for EIDL loans appears as though the government is picking ‘ winners and losers ’. In our view, this is unfair to non-agriculture businesses.

Unidentified Constraints for EIDL Loan Recipients Some SBE Council members are concerned that their EIDL loan agreements require prior consent from the SBA before selling or transferring collateral. The big concern is how long this approval could potentially take, especially given the volume of this EIDL program and SBA’s track record with regard to poor communications and the long period of time it took for business owners to navigate SBA and receive loan approval. For example, how long will it take for a business owner to get approval from an SBA loan officer when they need to sell a piece of their equipment?

Moving Forward

There is no doubt that the implementation of the COVID-19 EIDL program was a huge task for the SBA, as it would be for any entity. The massive demand overwhelmed the agency. SBE Council believes, however, that some of the mass confusion could have been avoided if the SBA communicated limits they were placing on the program - like the \$1,000 per-employee advance, as well as the \$150,000 loan cap. Being transparent about changes and why they are being made is essential information for small business to know so they can plan and use their time wisely – especially during times of crisis.

In addition, more transparency and information about EIDL loan agreements, perhaps putting this information online – to include, for example, constraints on collateral and relocating the business – would be helpful for applicants to know before going through the application process. It’s always good to know what you will be “signing up for” before you get to the end of lengthy and time-consuming process.

We do think there is a place for the private sector and financial technology in helping to deliver on programs like EIDL during a crisis. Especially events such as COVID-19 or major disasters that require the delivery of capital on massive scale, which needs to be done efficiently and transparently. We hope that outsourcing is part of the discussion, as we know there are many things SBA does well that help America’s small businesses successfully start and build their businesses. Delivering on this core function is difficult enough, and with sophisticated and efficient technology platforms that can deliver capital to small businesses quickly, it makes sense to explore these opportunities.

Thank you for your leadership, and for inviting SBE Council to be a part of this conversation I look forward to our discussion

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June 10, 2020

Dear Chairwoman Velazquez and Ranking Member Chabot

On behalf of the 20,000 members of the Asian American Hotel Owners Association (AAHOA), I would like to thank you for your leadership in protecting America's small businesses and their employees during this time of crisis

AAHOA members are small business owners who own nearly 50% of all hotel properties in the United States. As travel has halted to help flatten the curve on the coronavirus outbreak, hoteliers and their employees in every market and in every segment have suffered at an unprecedented rate. At a time when occupancy rates ought to be on the rise with seasonal and business travel, and large public events, hoteliers are instead wrestling with the excruciating decision on whether to keep their businesses open. Each day, the forecast seems more dire. Without guests to serve, rooms to clean, shuttles to drive, or meals to prepare, hoteliers are left without working capital to make payroll or meet their mortgage obligations.

The CARES Act was a strong start to helping small businesses to retain the employees critical to the success of each business. During the discussions of the CARES Act, we learned that the Paycheck Protection Program (PPP) was designed to emphasize payroll over other costs and other SBA offerings like the Economic Injury Disaster Loan (EIDL) program would serve to cover operating expenses.

Hoteliers around the country depended on and applied for PPP and EIDL loans to keep their businesses running, as the necessary travel restrictions have eliminated nearly all income for each property around the country. Unfortunately, relief has been difficult to come by for these small business owners.

The EIDL program, while an extremely promising avenue during this crisis, has frustrated hoteliers in how it has been executed. Lodging is the signal industry of this economic crisis. It was the first to fall upon implementation of travel restrictions and it will be the last to return once the economy reopens. Most forecasts indicate lodging revenues will not return to pre-Covid levels for years. Hotel occupancy remains at historic lows, layoffs and furloughs are at historic highs, and there is no remedy in sight. Hoteliers have no steady access to income or programs that will provide critical liquidity. PPP was designed to work in tandem with EIDL to relieve payroll and operating cost pressures respectively – particularly, for businesses and employees hardest hit during this economic crisis. These loans are critical to ensuring hoteliers can meet debt service, tax, insurance, utilities, and other obligations to enable their businesses to survive.

We recognize how successful this program has been given the circumstances. The volume alone must be significant and we know the SBA is working harder than ever. However, this program remains out of reach for many small businesses.

Many hoteliers continue to report significant delays in receiving any meaningful information from SBA after they have applied for EIDL. Our members routinely see six to eight weeks pass without hearing anything, even after multiple attempts to follow up. This uncertainty could be the difference between whether a business remains open or closes permanently.

Additionally, since April 15, the SBA has not accepted applications from most small businesses. We appreciate the challenges associated with the high volume of applications and the necessity to ensure agricultural businesses may have access to EIDL funds. However, it remains a source of considerable frustration that there has been no announcement as to when the farm-only loan window will close, or when other small businesses may begin to apply.

Further, The SBA created a cap of \$150,000 from an authorized \$2 million per loan. For many highly leveraged businesses needing to meet mortgage and interest obligations on real estate, this cap creates a significant challenge. Hoteliers who have managed to receive these loans have either already exhausted the funds, or are simply hoping their banks will enable them to further delay payments – which will ultimately come due with no means to repay them.

Finally, one of the particularly positive aspects of the PPP is the waiver of the SBA's affiliation rules associated with approval for the funds. The waiver enables hoteliers who own multiple properties to keep their employees employed at each location. Unfortunately, that waiver was not extended to the EIDL program and hoteliers are being told they must choose which properties to save and which must close their doors permanently. These rules were never intended to restrict access to funds in a crisis and that is exactly how they have been implemented. We urge your support in applying the affiliation rules consistently between the PPP and EIDL programs in the next economic stimulus package.

Hoteliers' businesses are on the brink of ruin, not through poor decisions or unscrupulous actions, but because of limitations on travel to ensure the virus does not spread. The next few weeks will be critical in determining whether many of these small businesses survive. We urge your support for America's hotel owners through this unprecedented crisis.

Sincerely,

Cecil P. Staton
President & CEO
AAHOA

