

**PAYCHECK PROTECTION PROGRAM: AN
EXAMINATION OF LOAN FORGIVENESS, SBA
LEGACY SYSTEMS, AND INACCURATE DATA**

HEARING

BEFORE THE

**SUBCOMMITTEE ON INNOVATION AND
WORKFORCE DEVELOPMENT**

OF THE

**COMMITTEE ON SMALL BUSINESS
UNITED STATES**

HOUSE OF REPRESENTATIVES

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Questions for the Record:	
None.	
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None.	
Additional Material for the Record:	
None.	

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THURSDAY, SEPTEMBER 24, 2020

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INNOVATION AND WORKFORCE
DEVELOPMENT,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:03 a.m., in Room 2360, Rayburn House Office Building, Hon. Jason Crow [chairman of the Subcommittee] presiding.

Present: Representatives Crow, Finkenauer, Kim, Davids, Houlihan, Chabot, Balderson, Hern, Burchett, and Joyce.

Chairman CROW. Good morning. I call this hearing to order. I want to thank everyone for joining us this afternoon for this official hybrid hearing.

I want to make sure to note some important requirements. Let me begin by saying that standing House and Committee rules and practice will continue to apply during hybrid proceedings. All members are reminded that they are expected to adhere to these standing rules, including decorum.

During the covered period, as designated by the Speaker, the Committee will operate in accordance with H. Res. 965 and the subsequent guidance from the Rules Committee in a manner that respects the rights of all members to participate.

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

In the event a member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available member of the same party and I will recognize that member at the next appropriate timeslot, provided they have returned to the proceeding.

For those members physically present in the Committee room today, we will also be following the health and safety guidelines issued by the attending physician. That includes social distancing and especially the use of masks. I urge members and staff to wear masks at all times while in the hearing room, and I thank you in advance for your commitment to a safe environment for all here today.

I am pleased to be holding this hearing today to discuss the technical aspects of the Small Business Administration's Paycheck Protection Program and to learn more about the new forgiveness portal.

I would like to thank Mr. William Manger—am I pronouncing that right, Mr. Manger?—who serves as SBA's Chief of Staff as well as the Associate Administrator for the Office of Capital Access for joining us here today.

Let me begin by saying that the Committee recognizes that the SBA had to launch the Paycheck Protection Program quickly and disburse funds to small businesses that were in jeopardy of closing, due to the coronavirus pandemic. But I am concerned that in the rush to roll out the program, some important technical controls with the PPP portal were overlooked.

The system used for PPP was quickly overwhelmed by an unprecedented number of applications. The day the portal was launched, it went offline for 4 hours, in which lenders could not submit borrowers' applications. During the relaunch of the portal for the second round of PPP funding, it crashed again.

I am concerned that SBA is relying on an outdated system to process PPP loans. Back in 2014, the Government Accountability Office notified the SBA that E-Tran, the electronic loan processing system used to process PPP applications, may not be able to handle a large influx of loan applications. Now, 6 years later, SBA is still relying on the E-Tran system. And I have to wonder if these issues could have been prevented if SBA heeded the warning of our government's watchdog.

Today I would like to learn more about what Congress can do to support SBA's modernization efforts of the loan processing systems. I am also concerned that the SBA system lacks critical internal controls to ensure data accuracy.

On July 27, I, along with 28 other Members of Congress, sent a letter to Administrator Carranza, detailing issues with the data SBA released on July 6. According to one report in The Washington Post, an analysis on 4.9 million loans indicated that many companies retained far more workers than they employ. Another report by the Post estimated that at least 226,000 small business loans were credited to the wrong congressional district.

Our letter asked the SBA to clarify several data categories, such as how the jobs retained figure was calculated, how loans were attributed to congressional districts and the measures taken to ensure future reports contain accurate data. Sadly, we never received a response.

Turning now to loan forgiveness, I would like to know what steps SBA is taking to ensure that the technology issues encountered during the PPP loan application period do not occur during the forgiveness period. But, most importantly, I would like to know what SBA plans to do to make the loan forgiveness process easier.

Small business owners are incredibly resilient and they are used to overcoming challenges, but the coronavirus has been a crushing blow. And while the PPP has helped them retain key employees and make rent and other payments, many are anxious that their loans won't be fully forgiven and they will be saddled with more debt.

And the forgiveness forms do little to alleviate those concerns. They are complex, confusing, and time-consuming. Small businesses do not have the time or resources, in the midst of a pandemic, to spend hours on end trying to fill out these forms. They are fighting for their survival.

With that said, I look forward to hearing about these important issues.

I now yield to the Ranking Member, Troy Balderson, for his opening statement.

Mr. BALDERSON. Thank you, Mr. Chairman.

And thank you to Mr. Manger for coming before us today to discuss how your office has handled the past 6 months.

The early days of this year marked an American economy that was performing at historic highs. However, news started to emerge from China on a health concern that was identified as a new coronavirus. On March 13, President Trump declared a national emergency, and soon afterward States and localities began civil authority shutdowns of businesses to safeguard the health of citizens.

Congress responded quickly. To prepare for the fast-moving crisis, our entire Federal Government quickly worked together, in a bipartisan manner, to enact numerous pieces of legislation to enable the SBA to respond to the needs of America's small business. These new tools that came from the legislation, such as the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act, and the Coronavirus Aid, Relief, and Economic Security Act, or CARES.

As we all know, the CARES Act initiated the landmark Paycheck Protection Program, or PPP, that provided small businesses partially forgivable low-interest loans to keep their employees on the payroll during the pandemic.

Although the implementation of the program at the agency level, both at the SBA and at the Department of Treasury, has initiated uneven with changing enrolling guidance, the PPP has been a popular assistance program for small businesses across the country.

The program has provided billions of dollars to our Nation's smallest firms. Unfortunately, due to a lack of consensus, the program lapsed on August 8, with more than \$135 billion still available.

The Ranking Member of our full Committee, Mr. Chabot, has introduced a new piece of legislation, H.R. 8265, that would extend the program through the end of the year. I am a cosponsor of this bill and was disappointed to see it fail in a procedural vote on the House floor yesterday in a party-line vote. I, for one, will continue to work with anyone who wants to work with me to reopen this lifeline for America's smallest firms.

The topic of today's hearing is of critical importance, as we have the chance to hear from the SBA about how their systems dealt with the stress of overseeing over 5.2 million PPP loans over 4 months. Specifically, I am most interested in hearing about how the SBA has implemented the PPP forgiveness process in order to reduce the regulatory burden on small firms.

Mr. Manger, again, thank you for being here with us, and I look forward to hearing your testimony and participating in the ensuing discussion.

Mr. Chairman, I yield back.

Chairman CROW. Thank you, Mr. Balderson.

If Committee members have an opening statement prepared, we would ask that they be submitted for the record.

I would like to just take a minute to explain the timing rules. Each witness gets 5 minutes to testify and each member gets 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light comes on when you have 1 minute remaining. The red light comes on when you are out of time, and we ask that you stay within the timeframe to the best of your ability.

I would like to now introduce our witness, Mr. Manger. Mr. Manger currently serves as the Small Business Administration's Chief of Staff as well as the Associate Administrator for the Office of Capital Access.

Prior to his SBA appointment, Mr. Manger served as managing director at Brock Capital Group, where he advised and supported small- to medium-size enterprises in their efforts to raise capital and expand their business. Before investment banking, he was the associate administrator for field operations at the SBA.

Mr. Manger, we welcome you to the Committee, and you are recognized for 5 minutes.

STATEMENT OF WILLIAM MANGER, SMALL BUSINESS ADMINISTRATION CHIEF OF STAFF, ASSOCIATE ADMINISTRATOR, OFFICE OF CAPITAL ACCESS, SMALL BUSINESS ADMINISTRATION, WASHINGTON, DC

Mr. MANGER. Thank you, Chairman Crow, Ranking Member Balderson, and the members of the Subcommittee. And I also want to recognize the Ranking Member of the full Committee, Congressman Chabot.

I appreciate the opportunity to appear before you today and to discuss the Paycheck Protection Program. First, let me acknowledge the SBA staff and my colleagues in the Office of Capital Access for their tireless work over the last 6 months.

SBA was charged with creating and implementing an unprecedented economic relief program at a critical and uncertain time in our Nation's economy. Working with Treasury, we wrote program rules and launched the PPP within 6 days of passage of the CARES Act.

Since then, the program has reached over 5.2 million small businesses with over \$525 billion in needed economic aid. I am very proud of the work of the SBA staff. This achievement was also made possible through a network of almost 5,500 lenders. To put that in context, our SBA business loan programs have annually around 1,800 active lenders.

In the 4 months that the PPP was receiving loans, 3,700 new lenders were added. Behind that was a great deal of effort to enable lender access to our E-Tran system. Our OCA team helped provide system accounts for 73,000 new users and handled over 3.7 million system actions for all lenders.

During the PPP rollout, to match the number of lenders and the anticipated loan volume, SBA made several significant investments in our E-Tran system. Working very closely with our CIO, we

added servers, memory, and capacity at various stages in PPP lending.

In referencing E-Tran, let me also clear up some false impressions of the system. At no time did the PPP—at no time during the PPP did the system fail or crash. E-Tran is a stable system and fully supported by the agency.

Turning next to the PPP data disclosure, the agency has been transparent with data throughout the program. SBA released daily lending figures to Congress and the public. We provided weekly detailed program overviews as well as two comprehensive data disclosures of all PPP loans.

In comparing this to our 7(a) program, SBA posts lending data following each fiscal quarter for a loan volume in the tens of thousands. With PPP, in that same timeframe, we disclosed loan data for millions of loans.

With three times the number of lenders and 260 times the number of loans, there were some inequities in the first release of the data. In response, SBA created a process for lenders and borrowers to correct information that they had inputted into the system. We also adjusted how the system designated ZIP code locations within congressional districts. This data will be further refined through the collection of information during the loan forgiveness process.

To receive loan forgiveness, borrowers are responsible for submitting a loan forgiveness application and the required supporting documentation to their lender. Lenders are then responsible for reviewing the documentation and issuing a decision to SBA within 60 days of receiving the application.

Within 90 days of the lender decision and submission to SBA and subject to any SBA review of the loan or the loan application, SBA will remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment.

SBA opened the forgiveness portal on August 10. We released three rules and detailed FAQ documents on the process. We established a hotline for lender inquiries and conducted a stakeholder call with over 10,000 participants at one time. We also increased our staffing, with over 1,100 personnel to help manage loan forgiveness and reviews.

Our Capital Access staff spent a great deal of time preparing PPP lenders; and while 98 percent of lenders are signed up for the forgiveness, we so far have only received approximately 2 percent of the applications. While the low number might be attributed to the potential for further changes by Congress, SBA has been and remains open and ready for business.

Thank you again, Chairman Crow and Ranking Member Balderson, for inviting me to testify. I look forward to any questions you may have.

Chairman CROW. Thank you, Mr. Manger.

I will begin by recognizing myself for 5 minutes.

Mr. Manger, we sent this letter, me, along with 28 other Members, sent the letter to the SBA on July 27th. Why haven't we received a response to that letter?

Mr. MANGER. You know, I would have to look into exactly that—I am not familiar with the specific letter—I am not familiar with the specific letter you are referencing. I will have to look into

that and get back to you. We certainly have always tried to be as responsive as possible to any inquiries from Congress or from any other parties.

Chairman CROW. Will you commit to me today that you will get us a response on that letter?

Mr. MANGER. Yes, I will.

Chairman CROW. Okay, thank you.

I would just like to follow up on one item that you mentioned. And I was confused about the E-Tran comment, that you said at no time has it failed or crashed, yet it wasn't available, right? It went offline to lenders for periods of time during the peak periods.

Can you explain to me or just clarify for me, when you say it didn't fail or crash, why wasn't it available? Was there something else going on there?

Mr. MANGER. Honestly, sir, it was available at all times. There were periods where it did slow down, but at no time did it absolutely cease. There was a period, April 10 into the morning of April 12, where we put out a notice that we would be taking the system down for some upgrades that I have referenced in my opening statement. And so that was a planned takedown of the system so we could add—we went from actually five servers to eight servers. We made significant increases to the technology in the E-Tran system during the rollout of the PPP program. So—

But, to be clear, at no time did the program crash. You know, a crash would be related to losing data or corruption in the system. That simply did not occur, sir.

Chairman CROW. Okay. I think this is an area—I am not a technical expert so I, you know, can't explain the differences between those things, but I think this is an area for us to flesh out a little bit more, because I have received a lot of reports from business owners in my district of them in the queue filling out their application and then the system just going down and losing data and things of that nature.

So there is a disjoint here that I think would be worth for us to follow up on and kind of square those reports that, you know, many of us heard from our communities with what you were seeing at the SBA. So we will follow up with you on that front as well.

Mr. MANGER. Sure.

Chairman CROW. So, Mr. Manger, the second question or third question I have is: Borrowers started reaching out to lenders in June to start the forgiveness process. Why did it take the SBA so long to put together a comprehensive forgiveness program for PPP?

Mr. MANGER. Well, sir, we wanted to make sure that we were weighing the responsibility, the fiscal responsibility that the SBA has when we are talking about \$525 billion, to make sure that those businesses are, indeed, eligible and that, indeed, the amount that we are paying out to the lender for the forgiveness is the accurate amount.

So we had to go through quite a lot of review, and we did this in consultation with Treasury, to make sure that we took everything into consideration that should be addressed, to ensure that when we do pay out the forgiveness to the lenders, it is the proper amount.

Chairman CROW. Okay. And I certainly appreciate that fiscal prudence. One of the tensions that existed here, however, was a lot of these small businesses were literally—many of them are literally applying for this program and taking the risk, not even knowing what the criteria were going to be and whether they would be eligible for it, but, you know, thinking that there was a risk they would have to assume that debt in advance, and that is a risk they took on.

So, given that, do you believe that there should be a threshold or criteria established where loans should be forgiven automatically?

Mr. MANGER. Sir, I know that there is some legislation that is up here on the Hill that addresses that. I would say that is for Congress to decide upon. We certainly stand ready to enact anything that you all put forward. But at this point in time, again, we wanted to make sure that we weighed our fiscal responsibility to the taxpayer with, again, integrity of the program. And so we have developed, you know, the forgiveness platform that we have to ensure that.

Chairman CROW. And I will push back a little bit on that, because we left it to you all to develop the criteria for forgiveness. So I am asking you, you know, in your opinion as one of the top SBA administrators, you know, running the program, do you believe, which we have seen now and given the uncertainty that many of those businesses had when they were applying for the program, that for ease of use and for predictability that we should establish criteria for automatic forgiveness?

Mr. MANGER. Yeah. Sir, I will echo what Secretary Mnuchin said 2 days ago when he was asked a similar question. I mean, again, we put together a platform that we think has integrity and maintains, again, the taxpayer's—our fiscal responsibility to the taxpayer. We believe that we do not have the authority to all of a sudden deem a certain threshold where there would be a cutoff and that all those loans could be forgiven automatically.

So, again, we believe that Congress has to act to come up with a threshold if you would like us to do that.

Chairman CROW. Okay.

Mr. Balderson, you are recognized for 5 minutes.

Mr. BALDERSON. Thank you, Mr. Chairman.

My first question, Mr. Manger, is, as you know, the SBA and Treasury guidance has remained critical for small businesses and lenders participating in PPP. Given that many small businesses are in the middle of the loan forgiveness process and given that we continue to hear that the process remains complex, does the SBA anticipate updating and providing new loan forgiveness guidance or FAQs on this matter?

Mr. MANGER. Yes. You know, we provided, as I said in my opening statement, quite a lot of information in IFRs and actually 30 FAQs that pertain to forgiveness. We have developed two forms, the 3508 and the 3508EZ, for those businesses to use something of a similar but a simpler form for applying for forgiveness.

We have, as I said, conducted lender outreach to over 10,000 people on one call in the last couple of weeks alone. And we will continue to do that, and we will continue to offer as much guidance

as possible to make it as easy as possible for borrowers and lenders to go through the forgiveness process.

Mr. BALDERSON. Okay. Thank you for that answer.

And my next question was regarding the E-Tran system, and I also had a question about that, but Mr. Chairman has addressed that issue.

So I will go with, as the head of the Office of Capital Access and Chief of the Staff on the SBA, what do you believe are the biggest challenges when it comes to the PPP loan forgiveness for a small business, for a lender, and for the SBA?

Mr. MANGER. That is a very good question, sir. Obviously, we need to make sure that what is being asked for is legitimate. We want to make sure that that small business that has come in for that loan is, in fact, an eligible small business, given the parameters and guidance of the program.

So, again, we want to make sure that, you know, the borrower provides the information that they need to provide to the lender. It is then the lender that makes the decision on if the forgiveness should be what is asked for, possibly higher, possibly lower, but it is up to the lender to do that.

And then the lender submits that application after 60 days or within 60 days to the SBA, and the SBA then has 90 days to review what has been submitted to us. And, again, we will make the decision as to what is the proper forgiveness amount and then pay that out to the lender.

So it is a process that each party has to be involved with to make sure that they are submitting the correct data so that we can verify what is going to actually be paid out, based on, again, the small business retaining their employees at the level they had prior to the pandemic as well as any eligible, you know, interest, mortgage payments, or utilities.

Mr. BALDERSON. Okay. From your perspective, what should Congress concentrate on as we seek to reopen and improve this process?

Mr. MANGER. Well, again, I know that Chairman Chabot has language that is floating around Capitol Hill, and certainly I think there are some very good thoughts in there. And we would welcome, again, Congress helping to simplify the program even further if they so choose, and then we would certainly enact that as quickly as possible.

I mean, when you gave us the CARES program and the PPP and specifically back in March, we really stood this program up in 6 days, which is really quite incredible, the fact that then this program was able to make \$525 billion available to U.S. small businesses and not-for-profits.

Mr. BALDERSON. Thank you very much.

Mr. Chairman, I yield back. Thank you.

Chairman CROW. The gentleman yields back.

I would now like to recognize the gentlelady from Pennsylvania, Ms. Houlihan, for 5 minutes.

Ms. HOULAHAN. Thank you, Mr. Chair, and thank you very much for your testimony today.

I want to kind of continue along the lines that Chairman Crow was asking you about, about the forgiveness that has been ongoing

thus far. I had the opportunity to talk to a lot of the lenders in my community yesterday, who are really struggling right now because they are trying to get things through the pipeline in forgiveness, but are receiving a lot of error messages that a lot of the data is wrong, that they are ending up with a very, very small percent of what they submit being accepted the first time around.

And they are really struggling with the technology, to be honest, of how to reconcile what they have on file and dates and those kind of things with what you are requiring them to do. So let's put that over here.

They also are anticipating from Congress that we might do something in the forgiveness area. And so in many cases, they are counselling, and the CPAs are counselling, the borrowers to just hold on and wait.

So we are creating this perfect storm where people can't get through a pipeline right now at all. They are being kind of coached and counseled to wait a little bit. And we are creating a demand signal or a backlog possibly that will create this tsunami, so to speak, of problems when and if we are able to create some sort of forgiveness program.

I worry, because when we started the program, there was all kinds of technical issues and all kinds of glitches in the system. How are you preventing that from happening again when and if we are able to come to agreement on forgiveness?

Mr. MANGER. No. Thank you very much, Congresswoman. Let me just explain to you that the platform that we are using for the forgiveness portion of the PPP program was actually a software as a service that the agency has purchased specifically for this purpose of forgiveness. So it is not actually the E-Tran system that will be doing the forgiveness process.

We actually were able to retain an excellent, again, software as a service platform, a COTS platform, that we, you know, looked at, and it has been used by many lenders in this country as the forgiveness platform that they use.

And so we have adopted that and worked very diligently with that team from that contractor to, again, modify what they had for our program. And it is a cloud-based program, so there are no capacity issues.

Certainly, I am now hearing from you that there are some problems of inputting some information. I will go back and take a look at that, talk to the contractor about what may be happening there.

But the system is a robust system that, again, as I said, has been used by many banks here in the country, and we have brought that on as a software as a service platform specifically for the forgiveness process.

Ms. HOULAHAN. So I would like to provide you with some of that data, because from very small lenders to very large lenders, they all had experienced in my community the same problems in trying to push through forgiveness applications for right now in this very moment.

And I just wanted to make sure I reiterated a question, with making sure that you felt as though you had enough resources for oversight and fraud detection, especially if there is a streamlined forgiveness for borrowers under \$150,000.

Do you feel as though you have a good enough process to protect and prevent against fraud?

Mr. MANGER. Yeah. Let me just tell you a little bit about what we have done in our process here. We have brought on actually several contractors to help us. We have developed an automated tool that all loans will be run through. That verifies data that is publicly available through LexisNexis. That is the first stage.

Then, when we see how the loan is doing after that, it will come to folks for manual review. I mentioned that we have brought on a total of 1,100 new folks to help do the manual reviews of the loans, and that is using contractors as well as SBA staff.

So we have developed a very robust platform. We are using, again, several contractors. In fact, we even have another contractor that we brought on who is very well-known who will be doing quality assurance of the whole platform and seeing that from, you know, a 60,000-foot level, to make sure that what we are doing is, in fact, significant and appropriate.

But we have layers that we have put into place to make sure that we will properly review these loans, properly provide the capital for the forgiveness.

And so I think we have a very robust system that we have developed, again, working with top contractors as well as SBA staff to have that fully developed.

Ms. HOULAHAN. Thank you. I will yield back, but I do look forward to connecting with you to give you some very specific examples of the issues that we are struggling with. So thank you.

I yield back, Mr. Chair.

Mr. MANGER. Thank you.

Chairman CROW. The gentlelady yields back.

I would now like to recognize the gentleman from Tennessee, Mr. Burchett, for 5 minutes.

Mr. BURCHETT. Thank you, Mr. Chairman, I appreciate it. And I want to make sure. How do you pronounce your name? Is it Manger?

Mr. MANGER. Manger, yes.

Mr. BURCHETT. Manger. All right, cool. Thank you for being here, brother. Can you describe, you know, those reports that you all are receiving in more detail, and how many of those have you received thus far?

Mr. MANGER. I am sorry, Congressman. Which reports are you referring to?

Mr. BURCHETT. The loan reports. Well, in your testimony you said: "Regardless of their value, SBA is reviewing loans when it receives reports that specific loans or borrowers do not meet program requirements or otherwise may be ineligible."

Mr. MANGER. Oh, yes. We have received quite a few reports. And if you add up all the loans that then have been, you know, identified as having some indicia of a problem with program compliance, you know, it is in the, you know, tens of thousands of loans.

But we are obviously tracking that, and that not a static number. It is a dynamic number. Certainly, as we are made aware of any, again, reports of issues with certain loans, we then look into that and we make sure that we are addressing that.

Mr. BURCHETT. Okay. We have heard from several small businesses and lenders that the PPP loan forgiveness process remains complicated. And I know we are all trying to make improvements, but what changes would you recommend to Congress as it pertains to PPP loan forgiveness?

Mr. MANGER. Well, again, sir, you know, we have tried to make the process as simple as possible, again, weighing our fiscal responsibility and duty to the taxpayer to make sure that any time we are paying out funds for forgiveness, they are legitimate, accurate funds and that the program has integrity.

So that is what we have been doing.

Mr. BURCHETT. I appreciate that, but what I would just like to know is, what would you recommend we do to make it better?

Mr. MANGER. Well, again, you know, I know Congressman Chabot has some language that says that, you know, on his bill, talking about having a threshold below which the review process would really be just basically a certification on the part of the small business. Certainly, we would be willing to take a look at that, and if that becomes law, that is what we will implement right away.

Mr. BURCHETT. Well, just pretend it is just me and you talking in an off-the-record conversation brother. I don't need all this Washington talk. I just want to know what the heck we can do to make it better. And I think you have expressed that, but you really haven't.

Mr. MANGER. No, I understand, Congressman. Again, we just want to make sure that whatever we do, we are being, obviously, responsible to the taxpayer. These are taxpayer dollars that we will be paying out to these lenders for the borrowers, and we want to make sure that it is done with integrity and legitimacy.

But we will do, again, whatever we can to make it as easy and simple as possible.

Mr. BURCHETT. I dig all that. But what I am worried about is we get 6 months out and we have really messed it up, because you all are afraid to tell us, because some powerful lawmaker has tried to put something on the books that looks good, but we, being neophytes, that we wouldn't understand what the heck we were doing and we just created a problem that the grifters and everybody else can advance their cause on.

And I would appreciate letting us know, as we say in east Tennessee, closing the barn door before the cows got out.

Mr. MANGER. Congressman, I look forward to working very, very closely with you.

Mr. BURCHETT. All right. You are very polished, sir. I appreciate that. You ought to be on TV or something, I don't know.

Well, tell me about the partnership you all have—and just dadgum, just tell me about the partnership, I don't need the polished answer, all right?—with the Department of Treasury that you all developed over the—you know, within this working relationship. How will that help in the forgiveness process?

Mr. MANGER. Well, we have worked very closely since inception of the program with Treasury to ensure that it was developed properly and with as many safeguards as possible. And so we have developed an excellent working relationship with Treasury. We

speaking, you know, several times a day, in fact. And that has worked very well.

They have given us suggestions for the forgiveness. We have worked with them and made our own suggestions. And I think we have actually come up with a very good process.

We probably need to do a little more education on the side of educating the borrowers and the lenders to make sure they know exactly how to go about seeking the forgiveness.

Mr. BURCHETT. Can you do that in a noncomplicated manner?

Mr. MANGER. Sir, I pledge to you we will try and be as simplified as possible to make sure that—

Mr. BURCHETT. I appreciate that.

Mr. MANGER.—everybody can take advantage of this in the easiest way possible.

Mr. BURCHETT. Brother, next time I get in trouble with my wife, I would appreciate you just giving me your cell phone number. I am just going to hand it over to you and you smooth that road out for me, all right?

Mr. MANGER. Thank you, sir. I appreciate that.

Mr. BURCHETT. Thank you, brother.

And my wife watches these hearings and I haven't done anything to get myself in trouble with her. I just want you to know that.

Mr. MANGER. No. And I remember, Congressman, the first time you introduced yourself, my name is Burchett, birch like the tree and et like I just ate my breakfast. So anyway, I appreciate that.

Mr. BURCHETT. Thank you, brother.

Chairman CROW. Does the gentleman yield back?

Mr. BURCHETT. I do, Mr. Chair.

Chairman CROW. All right. Thank you, Mr. Burchett.

And notwithstanding your good faith efforts to try to get an answer to our question, I appreciate you taking another cut at it.

And at some point, I would like Mr. Manger to actually help us help you. That is the point of this question is to have a collaborative relationship so that we can make better law and policy here so you can implement it. But if you are not going to give us your thoughts on how we improve the forgiveness process, it makes it much harder for us to do that.

I would now like to recognize the gentlelady from Kansas, Ms. Davids, for 5 minutes.

Ms. DAVIDS. Thank you, Mr. Chair. And thanks to you and to Ranking Member Balderson for holding this important hearing today.

The Paycheck Protection Program has certainly been a vital lifeline for so many businesses in the Kansas Third District during the pandemic, and the possibility of loan forgiveness is certainly an important component of that.

We know that the pandemic is far from over, and that even as our economy has started to reopen there are a lot of small businesses in Kansas that are still struggling to open their doors, which is why—

Chairman CROW. Ms. Davids, we can't hear you on the audio. You might want to try—all right one moment while we work through this with Ms. Davids. Ms. Davids, we couldn't hear your question. Your audio has cut out.

Well, while we work out her audio, let's move on to the next member.

I would now like to recognize the gentleman from Pennsylvania, Dr. Joyce, for 5 minutes.

Mr. JOYCE. Thank you, Chairman, and thank you, Ranking Member Balderson, for organizing this today.

Mr. Manger, thanks for joining us. I think this is very important, and I actually think it is a very critical time. On behalf of my district, I am going to offer thanks to you and your office for your hard work to iron out what we all know were initial glitches in the E-Tran system.

Since PPP opened, my home State of Pennsylvania has received more than 170,000 loans, which brought in more than \$20 billion for hardworking small business owners, their employees, and particularly their families.

I recently visited Boyer's Orchard in New Paris, which is Bedford County, Pennsylvania, to purchase some of their incredible apples. And while I was there, I met with the Boyer family, Penn State alumni who used the PPP to make ends meet. In discussions with them, they described the program as, quote, "a godsend."

However, we all recognize in this room that many small businesses are still struggling to stay afloat. And, as mentioned, there is more than \$130 billion remaining in the Paycheck Protection Program that concluded, as you pointed out, in early August.

Our Ranking Member, Mr. Chabot, has introduced legislation to reopen this much-needed PPP access and allow these desperately needed funds to be expended and pursued for the small businesses to once again be the backbone of our community, which we all know they are.

Mr. Manger, my question is really simple. If Congress were to reauthorize the Paycheck Protection Program, as I and my colleagues are fighting tirelessly to do so, how quickly could SBA begin processing the new applications?

Mr. MANGER. Sir, it would be very simple. Since the program and the platform has already been built, it would really be as easy as just flipping a switch and turning E-Tran back on.

So it would be done probably within a matter of a day, quite honestly. We would obviously—you know, as you said, the money has been put aside, so it would be really very simple for the agency to turn the electronic transmission system back on.

Mr. JOYCE. So by flipping that switch, which you so eloquently state, and in one day allowing those resources to be available, how quickly could the money get into the hands of the small businesses?

Mr. MANGER. Well, sir, that is, again, up to the lenders for making the disbursement. We provide a loan number to the lender. They are making the loans on a delegated basis on behalf of the agency. So, again, the disbursements would happen as quickly as the bank is able to get that money out the door. You know, a matter of days, probably.

Mr. JOYCE. And finally, do you feel that the extension of the PPP is part of your job at SBA in getting us through this pandemic?

Mr. MANGER. Sir, I think the numbers speak for themselves, the fact that we have been able to help over 5 million businesses

and not-for-profits with, again, over \$525 billion. And when you see the number of lenders that joined with us to make the program available to U.S. small businesses, I mean, they were doing their patriotic duty, coming to the rescue and making sure that they could get money to these small businesses.

And we want to completely support that. And if you authorize us to reopen a platform, we will do that, as I said, very quickly. We will flip that switch, and we will make sure that the money flows again out to the small businesses.

Mr. JOYCE. Thank you for your concise answers, and I conclude by encouraging all of my colleagues, bipartisan, to work together to allow for an extension of the PPP. Thank you for being here today.

And I yield the remainder of my time.

Mr. MANGER. Thank you, sir.

Chairman CROW. Thank you. The gentleman yields.

We are going to go back to the gentlelady from Kansas, Ms. Davids, and see if she has worked out the audio on her end. Ms. Davids, are you on?

Ms. DAVIDS. Yes, Chairman. Can you hear me?

Chairman CROW. We can hear you. All right. The gentlelady has 5 minutes.

Ms. DAVIDS. Perfect. Thank you so much. And thank you, Mr. Ranking Member Balderson, for holding this hearing today.

So I do want to get into the question that I wanted to ask, and just in case we have any technical difficulties again. You know, the Paycheck Protection Program has obviously been a vital lifeline for so many businesses in the Kansas Third and across Kansas.

And I just want to get into the balance that we have been talking about and hearing about when it comes to balancing accountability with the need to make the process simple and effective and available for our smallest borrowers, who have the fewest financial administrative resources.

So, Mr. Manger, can you talk to us about the Government Accountability Office report that came out this week that cited a much longer standard application time than the SBA had previously cited? It seems that there is a discrepancy there, and I would welcome your explanation for the discrepancy for both the standard form and the EZ form.

Mr. MANGER. Yeah. I have to admit that I have not seen the GAO report that you are referring to specifically, but, again, we made our best estimate as to what it would take, again, to completely fill out both the 3508 and the 3508EZ forms.

And, again, we had the first—the 3508 form was launched on May 15, and then the EZ platform form was launched on June 17, again. And we did that so that we could simplify the process, especially for sole proprietors, independent contractors and, you know, self-employed.

So I think, again, the process has been simplified to a great extent and, again, to balance, again, the integrity of the program and to ensure, you know, the fiscal responsibility to the taxpayer. And, again, we did our best estimate of what that time would take to properly fill out the form and complete that and make sure that all of the necessary documents are available for review.

And, again, the lender makes their decision and then it comes to us for our decision. But, again, we tried to make it as simple as possible, maintaining, again, integrity of the system, fiscal responsibility to the taxpayer, and, again, our best estimate of what that time would take to get that done.

Ms. DAVIDS. So can you talk to us a little bit about the—you know, when we talk about the challenges or risks, and certainly you have brought up the risks to the—you know, how we allocate and use and make use of the taxpayer funds.

Can you talk to us a little bit about the risks that you are concerned about through the further simplification of this process? Because that is something that you have brought up multiple times during this conversation is the stewardship, you know, the fiduciary responsibility you have to the taxpayer. Can you talk to us about what risks you all are thinking about and trying to mitigate?

Mr. MANGER. Sure. Well, let me just go back and briefly describe how this program was structured. As you know, the borrower came in and basically on a—

Ms. DAVIDS. I am sorry. You don't have to re-explain the structure of the program. I have been in this hearing and paying very close attention to how things are going. I am just more concerned about which—if you could tell us the specific risks that you are trying to mitigate.

Mr. MANGER. Well, again, I would like to just say, though, that, again, the borrower was certifying to the information that was being put into the application. The lender was not, you know, going back and checking and verifying that information. The lender was merely, on a delegated basis, as I said previously, making these loans so that, again, we could get capital out to these small businesses that were in dire need.

So it is very different than our regular program. For that reason, we need to make sure that we are—that the small business that actually applied for the loan and received a loan is, in fact, eligible, that there is not any indicia of any issues that could be revolving around, again, the program requirements, that they have fulfilled the program requirements as spelled out in the IFRs.

And, again, it is just the necessity to ensure that everything was followed properly so that we can, in fact, provide the capital to the lender when that forgiveness application is submitted to us.

Ms. DAVIDS. Thank you. And I see I am short on time here, so my office will follow up with you about the discrepancy between the GAO report. And I appreciate your testimony today.

And I yield back, Mr. Chairman.

Chairman CROW. The gentlelady yields back.

I would now like to recognize the gentleman from Oklahoma, Mr. Hern, for 5 minutes.

Mr. HERN. Thank you, Mr. Chairman, Ranking Member Balderson. It is great to be here. Mr. Manger, thanks for being here again.

As a small business owner for over 35 years and the Ranking Member of the Small Business Committee on Economic Growth, Tax and Capital Access, I understand the need for businesses to obtain the adequate funding to support their operations, especially during these unprecedented times.

One way in which we have been able to provide funding is through the PPP. Through this program, the SBA worked quickly to provide aid to businesses across the country, and I appreciate your efforts in the speedy implementation. Remind us all the PPP program saved approximately 51 million American jobs. We know now that it may be even higher than that.

At the same time, our bankers across the country played a crucial role in the PPP implementation, putting in countless hours to provide local business owners with loans. Without the hard work of our banking industry, the PPP would not have been a success, as we have seen today, and I commend them for their efforts.

However, the urgency to roll out PPP also caused the SBA to overlook certain obstacles for lenders, such as the outdated loan processing system known as E-Tran. Unfortunately, this system could not sustain the incredible influx of PPP loan applications and which caused burdensome tech-related issues for our many lenders, who were working overtime to help borrowers obtain funding.

As the founder of a small community bank, I understand how these obstacles can impact lending productivity. This was a waste of viable business hours, and we must do better to help our lenders navigate the PPP-related portals.

Additionally, we need to provide more comprehensive guidance to explain how certain processes work, especially with loan forgiveness for both borrowers and lenders. Right now, there is an ambiguity and a confusion surrounding loan forgiveness, which has caused banks to advocate for automatic forgiveness for certain thresholds in order to mitigate the lack of clarity about this process.

I for one am concerned about automatic forgiveness without oversight. I think there is a responsibility that this committee and all of us in Congress have to have oversight to make sure there is no fraud. So we have to get this figured out sooner rather than later.

Currently, many lenders are left in the dark on how loan forgiveness will be rolled out, both on the technology side and the policy side, which brings me to my first question.

When the PPP was first rolled out, New Interim Final Rules were frequently posted on SBA's website. This created confusion for both borrowers and lenders, since rules were constantly changing. Because of this, we advocated for SBA to release a comprehensive guide—I am sorry. We advocated for you to do this on the PPP, to create transparency and help individuals navigate the program.

So my question is: Does the SBA have any plans to provide a comprehensive guide to help lenders navigate the loan forgiveness program process, including the new online portal?

Mr. MANGER. Congressman, we can certainly take a look at that. What we have done specifically related to forgiveness is we released three IFRs and, again, detailed FAQs. I believe there were 30 in all that specifically addressed the loan forgiveness process. And we did that because, again, they are frequently asked questions, so we wanted to try and capture what, again, the borrower and the lender really needed to understand the forgiveness process.

So we have done that thus far, and we are obviously trying to do more. And we can certainly take a look at, you know, a document such as you have just expressed here.

But at this point, again, we believe the IFRs and the FAQs and the forms and our outreach that we have been conducting has been very, very helpful. And, you know, certainly we can always do more, but we can take a look at anything else you would like us to.

Mr. HERN. Well, I think, in talking to many bankers certainly across my district and the State, their concern is not knowing the rules until after they are required to do something. As an example, we relied heavily, almost exclusively on our community banks—certainly, they touch all of our small businesses across America—in addition to our big lenders.

But what we also know is they had to use their own loan documents, which required at that time a 6-month deferral until the first payment, which are coming due. And now they have a loan forgiveness document that says it is not until 10 months after the SBA gives guidance on forgiveness.

So they have to go back and touch all of their documents now to either put an addendum, because if they don't they are out of compliance with the Office of the Comptroller of the Currency or the other State and Federal regulators, which is creating a real burden and a financial cost to them that there is no additional fees for, or there are none.

And so this is important for the banks to be able to touch these documents one time, so that we can alert our borrowers to if there is going to be any forgiveness at all. But we need to do this as a respect to the people that we put the burden on to go loan this money to the individual businesses so that they could keep the 51 million Americans employed.

So, with that, Mr. Chairman, I yield back, and thank you so much for having this hearing.

Chairman CROW. Thank you, Mr. Hern. I appreciate your questions. The gentleman yields back.

I am going to just do a second round. I don't think there are many members with additional questions, but I will start with myself, and if others have questions we will go to those.

A few other items I wanted to cover, Mr. Manger. One is—and I think you touched on this one earlier—the new platform for the forgiveness system. That is the private software system that is cloud-based. Is that accurate?

Mr. MANGER. That is correct. It was a, you know, off-the-shelf platform that we identified in Capital Access that we could use that is used by many lenders in their own, you know, work, and that we could adopt that as a software as a service platform specifically for the forgiveness portion of the PPP. And that has been very effective, and the team has done a great job working with us to adjust it so that it can be seamlessly integrated with the PPP.

Chairman CROW. So to date, it seems to be running smoothly, from your perspective? You are not seeing any bugs or anything?

Mr. MANGER. We have not seen any problems. And, in fact, as I mentioned early on, 98 percent—sorry, 98 percent of the lenders have already signed up onto that platform. So we have had, you know, again, almost 100 percent have already signed up onto that platform.

Chairman CROW. Okay. Of the 5,000-plus, you mean?

Mr. MANGER. Of the almost 5,500 lenders, we have 98 percent that have signed up on the platform, yes.

Chairman CROW. Okay. So I think it launched in mid-August, right? That is—

Mr. MANGER. It was launched August 10.

Chairman CROW. August 10, okay. How many forgiveness applications have you received since—

Mr. MANGER. So to date, we are at about 96,000.

Chairman CROW. Okay.

Mr. MANGER. Just over 96,000.

Chairman CROW. And has the SBA declined any of those applications?

Mr. MANGER. No, not at this point. We are in the process of the review stage. So we have not declined any at this point.

Chairman CROW. So 96,000 received. How many have been approved, roughly?

Mr. MANGER. At this point, we are still going through the review process, and none of those have been, you know, approved fully.

Chairman CROW. Can you just give us a sense as to what you expect the timeframe to be from the acceptance of a forgiveness application to when you make a determination on an application?

Mr. MANGER. Sure. Sure. As you know, again, the lender first receives the forgiveness request from the borrower. The lender at that point has 60 days with which to make their decision. They have to review the documents in-house. And then they come to the SBA and say, we are requesting this of the SBA, to remit this amount to us, the lender, for the forgiveness of this small business borrower.

At that point, when they submit the request to us, the SBA has 90 days in which to review that and make a decision on the forgiveness. So we have up to 90 days to make that decision, sir.

Chairman CROW. Okay. And I don't think I need to encourage you to obviously compress that timeline, because if Congress is able to work out a deal for extension or a second round, obviously, people aren't going to go for that unless they already have the determination in hand from their prior round. So I think it will just set everyone up for better success here, and I appreciate your efforts in that regard.

One of the things, the last question is kind of a customer service issue that we have heard about, and that is—and this is something that I think we can all sympathize with. When you call like an insurance company or something and you go through the phone tree, and then every time they ask you for the same information, right? And you are like, well, isn't anyone capturing this information? The same thing seems to be happening here, where people are going into the forgiveness portal, have to reenter all the information that they entered when they first applied for the loan.

So isn't there a way to migrate that data to the new portal so that it is already there, and we can save folks time and make it easier for them?

Mr. MANGER. Well, sir, I understand your point. The thing is, what was captured initially in the two-page application from a borrower with the self-certifications tells at the time, you know, what

they had on board for employees, for example. The fact is, over the covered period, that number may have changed. And we can only give——

Chairman CROW. I guess I am not asking for that information. I mean, I understand that some information will change——

Mr. MANGER. Yeah.

Chairman CROW.—and the conditions will be different, and there will be new information that is necessary for forgiveness that didn't apply for the original loan.

But some of the basic information, right, about the company and things like that, like, can't we just auto-populate that into the new system? I am just always looking for ways to make this easier for the businesses.

Mr. MANGER. No, and I appreciate that. We can certainly—I will take that back and talk to the IT folks and see again about integrating the information that came into E-Tran with the information that is being captured on the SaaS platform.

Chairman CROW. I appreciate that. Thank you.

Now I would like to go back and recognize the gentleman from Oklahoma for an additional 5 minutes. Mr. Hern.

Mr. HERN. Thank you, Mr. Chairman. I really appreciate those comments you made there too because, as we are all hearing from our businesses, it is about simplicity in the time of trying to figure out how to keep people employed.

Mr. Manger, currently under the PPP, if a change of borrower occurs, it is an automatic default unless the borrower obtains a written waiver from the lender. As you know, the 7(a) program requires lenders to get SBA consent for a borrower change of control. And if you are selling a business or a transition of ownership, we have an issue here that we need to get clarified and maybe bring some consistency between the two programs.

Because of some preexisting 7(a) rules applied to the PPP, as long as they are consistent, will PPP borrowers need to get SBA consent for a change of borrower?

Mr. MANGER. So, Congressman, I appreciate that question very much. And, in fact, I was on the phone last night with one of my colleagues discussing just that. I have actually been on a phone call with Congressman Balderson where he also asked the question about change of ownership for businesses that currently have a PPP loan.

We are working through that, and we are coming up with something I think that will make it much easier, again, for a business with a PPP loan to be able to have a change of ownership.

So we are very near completion on that as we speak. As I said, I was on the phone last night discussing that with one of my colleagues.

Mr. HERN. Have you thought through the process or additionally—and I will go back to what the Chairman said, communication is paramount here, it is critical—have you thought how you would communicate to both lenders and borrowers this change this consistency?

Mr. MANGER. We will certainly work with our office of communications and public liaison. We will certainly reach out to the banking trade associations. And we will again try to get out the in-

formation out on our website and all the other means possible to make sure that they are aware of how they can make a change of ownership.

Mr. HERN. Mr. Manger, I want you to know from me personally as a small-business owner for years, that we appreciate and whether you are a Democrat or a Republican on this committee, we have heard from borrowers, all over this country and they appreciate it. And while there has been a lot of uncertainty in how the process works, they appreciate.

This program has saved thousands, hundreds of thousands of mom and pop businesses that may have been handed down by generations, people who took the risk, borrowed capital, started a business that without this program would have gone bankrupt and many still will just because of the demand for their product.

And without the SBA utilizing the banking system, other financial systems to get these moneys out, this could have been a catastrophic event. It was already catastrophic enough for our economy, but because of what you did, you allowed the people to keep all of our Americans for the most part employed where you could.

And we greatly appreciate all of the work for you and your teams consistently coming over here. We want to make sure that message gets back to Administrator Carranza as well Secretary Mnuchin. He has been here and you guys have been very open to come in and testifying before us. And we greatly appreciate you taking our questions and going back to work fervently on solutions.

So thank you so much for being here.

Mr. MANGER. Thank you, Congressman very much. I appreciate that.

Mr. HERN. I yield back Mr. Chairman.

Mr. CROW. Thank you. The gentleman yields back. I would like to recognize the Ranking Member Mr. Balderson for 5 minutes.

Mr. BALDERSON. Mr. Manger, I wasn't going to go further, but since you brought my name up and you brought that phone call up, when are you thinking about having release for this guidance because about our phone call was back in July?

Mr. MANGER. I understand, sir.

Mr. BALDERSON. At the end of July. And I do have several too actually.

Mr. MANGER. I was actually hoping, Congressman, that I would be able to have it here this morning. Unfortunately as I was on the phone last night about it, but it is going to be imminent, imminent.

Mr. BALDERSON. Okay. Thank you.

Mr. Chairman, I yield back.

Mr. CROW. The gentleman yields back. So are there any other members with additional questions? Online? I am not seeing any.

Okay. So I want to thank Mr. Manger for your testimony today on the PPP program, and the data inaccuracies, and discussing the various issues around loan forgiveness.

First off, I do want to echo my colleagues' sentiments and reiterate what I said in the beginning, I recognize this was a very heavily lift. There was no precedence for this. You were having to build the airplane inflight and you turned around very quickly.

And I do appreciate the hard work and the efforts of you and your team in doing that, because it did make a difference, a very big difference.

And in Colorado alone our estimates are that the PPP program helped preserve over a half million jobs. So it certainly made a difference.

With that said, our job is not to pat each other on the back. Our job is to figure out how we can make things better and improve. And there is always improvements. And of course we serve as the direct conduit from our constituents our businesses to the SBA. And that is why we press you on these things, because there are ways to improve it and make it better and we want to work with you to do so.

I also want to reiterate that it has been, I think, over 131 days since the House passed The HEROES Act, which provided an extension of these value programs and money to address the ongoing concerns of businesses.

And I do recognize and appreciate Mr. Chabot's efforts to introduce a bill. I know my colleagues on the other side have issues with the HEROES Act, and we obviously have issues with Mr. Chabot's bill. There has got to be a solution where we can all get behind and figure out that everyone can live with where we can do this.

So I am going to continue to work with my friends on the other side of the aisle here to figure this out and push hard because we obviously owe that to the American people and to the businesses that are struggling it to survive. And that is what they expect of all of us. So we will at this point to work hashed to figure out that solution.

So with that, I think we just have the technicalities left. So I would ask unanimous consent that Members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the committee, we are adjourned.

Thank you.

[Whereupon, at 11:05 a.m., the subcommittee was adjourned.]

[Mr. William Manger did not submit his Responses to Questions in a timely manner.]

A P P E N D I X



Statement of William M. Manger
Associate Administrator, Office of Capital Access
U.S. Small Business Administration

before the
House Committee on Small Business
Subcommittee on Innovation and Workforce Development

Hearing on “Paycheck Protection Program: An Examination of Loan
Forgiveness, SBA Legacy Systems, and Inaccurate Data.”
September 24, 2020

Statement of William Manger
Associate Administrator, Office of Capital Access
U.S. Small Business Administration

Thank you, Chairman Crow, Ranking Member Balderson, and members of the subcommittee for inviting me to speak with you today. It is my pleasure to appear before you to discuss the Paycheck Protection Program (PPP). I am eager to provide you with information on PPP loan forgiveness, loan-level data, and the information technology systems SBA uses to operate its various business loan programs.

Since 2017, I have served as the Associate Administrator for the Office of Capital Access (OCA). I previously served as the SBA Regional Administrator for Region 2, based in New York, from 2005 to 2007, and as the SBA Associate Administrator for the Office of Field Operations, based in Washington, DC, from 2007 to 2009. In each of my positions at SBA – and in particular during the last six months during the COVID-19 pandemic – I have recognized and supported the significant, lasting, positive impacts that SBA programs have on the nation’s small businesses and the communities they serve.

In my current role, I am responsible for the Office of Capital Access’s administration of SBA’s 7(a) business loans, the Community Advantage Pilot program, the 504 Loan Program, and the Microloan Program. Collectively, these programs connect small business entrepreneurs that otherwise are unable to obtain conventional sources of capital with participating private sector lenders willing to lend necessary capital to start or grow small businesses.

The Office of Capital Access also administers the PPP, which is the largest program in SBA’s history. Working in consultation with the Department of the Treasury, SBA stood up and implemented the PPP less than one week after the enactment of the CARES Act, and in the first 14 days of the program, SBA processed \$343 billion, which is more than 14 years’ worth of loans. At the peak of the program, SBA processed 12 months’ worth of loans in a single day.

As of August 8, 2020, more than 5.2 million small businesses, nonprofit organizations, independent contractors, and sole proprietors had received more than \$525 billion in PPP loans.

Delivery of the program and funding would not have been possible without the hard work of nearly 5,500 existing and new lenders that participated in the PPP. Community banks, credit unions, Community Development Financial Institutions, Minority Depository Institutions, farm credit lenders, financial technology firms, and traditional lenders all played a critical role, working around the clock to process loan applications and disburse critical loan funds to small businesses that allowed them to keep tens of millions of American workers employed.

Forgiveness Process

Although PPP lending closed on August 8, the Office of Capital Access continues to devote significant resources to carry out the PPP. OCA has issued public guidance and continues to refine processes and requirements for loan forgiveness, loan reviews, guaranty purchases, and related activities under Section 1106 of the CARES Act. To date, SBA, in consultation with Treasury, has released 30 Frequently Asked Questions that provide guidance about the Loan

Forgiveness process. This guidance is in addition to the rules regarding Loan Forgiveness and Loan Review Processes.

Pursuant to statute, PPP loans are eligible for full forgiveness if funds are used for eligible payroll costs (minimum 60% of total funds must be used toward payroll), mortgage interest payments, rent or lease payments, and utilities payments during the Covered Period, which is the 24 week period after the borrower received their loan.

To receive loan forgiveness, borrowers are responsible for submitting a Loan Forgiveness Application (SBA Form 3508, SBA Form 3508EZ or lender's equivalent) and required supporting documentation to their lender (or to the lender servicing the loan). Lenders are then responsible for reviewing the documentation and issuing a decision on loan forgiveness to SBA within 60 days of receiving the application.

Within 90 days of the lender issuing its decision to SBA, and subject to any SBA review of the loan or the loan application, SBA will remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment.

If applicable, SBA will deduct any Economic Injury Disaster Loan (EIDL) Advance amount received by the borrower from the forgiveness amount remitted to the lender, as required by section 1110(e)(6) of the CARES Act. The lender is responsible for notifying the borrower of the forgiveness amount remitted by SBA, and if any balance remains on the loan, the loan deferral ends and the borrower must begin making payments on the loan and repay the balance due on or before the maturity of the loan.

If the borrower does not submit a Loan Forgiveness Application within 10 months after the last day of the Covered Period, the loan deferral ends, and the borrower must begin making payments on the loan. The borrower may submit a Loan Forgiveness Application any time on or before the maturity date of the loan. The Loan Forgiveness Platform launched on August 10, and we have already begun processing applications. Borrowers may appeal certain final SBA loan review decisions to SBA's Office of Hearings and Appeals.

As PPP loans may be forgiven in full, SBA is working diligently to ensure that taxpayer dollars are used to provide loan forgiveness only to borrowers that were eligible to receive their PPP loans and used the loan proceeds as Congress intended.

It is important to recognize that the forgiveness process, while related, is separate from the loan review process. As noted in guidance and rules issued by SBA, all PPP loans are subject to review at any time in SBA's discretion. Further, as the Administrator and the Secretary of the Treasury announced on April 28, 2020, all loans \$2 million and above will be reviewed to ensure that the borrower properly, and in good faith, certified economic need for the PPP loan. The loans \$2 million and above also will be reviewed for compliance with general program requirements. In addition, regardless of their value, SBA is reviewing loans when it receives reports that specific loans or borrowers do not meet program requirements or otherwise may be ineligible.

SBA has established loan review procedures, whereby all loans will be screened through an automated process. SBA will leverage the automated review tool to detect ineligibility within the PPP loan portfolio. Issues of fraud, certification of need (for loans of \$2 million or greater), eligibility, and other SBA flagged loans will be reviewed via a combination of the automated tool and subsequent manual reviews.

PPP Public Data Disclosures

Given the breadth of the PPP, SBA understands the importance of transparency and accuracy in providing data to the public. SBA's goal in releasing loan data throughout the PPP is to strike a balance between providing transparency to American taxpayers and protecting small businesses' confidential business information and owners' and employees' personally identifiable information.

To this end, SBA provided daily PPP loan amounts and volumes as well as weekly aggregate PPP loan totals in documents that were publicly accessible on the SBA website. SBA also publicly released PPP loan level data on July 7 and on August 15. In addition, SBA has provided full loan-level data on all PPP loans to the Government Accountability Office and congressional committees, including the House Small Business Committee.

It is important to note that PPP loan data reflects the information submitted by lenders to the SBA for PPP loans. Between the data releases, SBA made significant efforts and worked with lenders to improve the accuracy of the loan-level data, including the improvement of congressional district loan data. SBA also provided a mailbox on the SBA website to allow borrowers to request corrections to publicly released PPP loan data.

To further enhance the accuracy of the public data, SBA updated a column heading. The column heading "JobsRetained" is now "JobsReported." SBA made this change to properly identify the source of the information reflected in the column. The PPP loan borrower application form asked applicants to state their number of employees. After approving loans, lenders reported the jobs information in SBA's loan processing system, E-Tran. Therefore, the loan-level data reflects the jobs information reported to SBA by PPP lenders based on information the lenders obtained from borrowers. The column heading was changed to "JobsReported" only to make clear the source of the jobs information in the loan-level data. No changes were made to the numbers provided by lenders in the Jobs Reported column.

Loan Systems

For the PPP, because of the speed with which the program was stood up and the urgent need to assist small businesses, SBA used the existing E-Tran system – the loan processing platform that SBA uses for its traditional 7(a) Program. Although PPP loans were made by participating lenders on a delegated basis, PPP loans had to be booked with SBA and provided loan numbers. Although E-Tran was not designed for a program the size and scale of the PPP, the system worked remarkably well and successfully booked 14 years of loans in the first 14 days of the PPP. Our staff was able to make real-time adjustments to improve E-Tran's performance. For example, we blocked lenders from using robotic systems in late April, a

process which was slowing down the system for everyone else. We also reserved processing time for the smallest lenders and their small business customers for an eight-hour period beginning on April 29, 2020. Finally, since the PPP inception, SBA conducted system maintenance on weekends and off-hours to increase memory capacity, system resiliency, and overall operating capacity.

As a result of these efforts, between April 3 and August 8, SBA systems were able to accomplish the following metrics:

- 72,852 new users were admitted access to E-Tran for originating and servicing PPP loans;
- Between April 3 and April 16, SBA booked almost 5,000 loans per hour (1.7 million gross loans divided by 14 days);
- On April 15, the peak of loan processing, SBA booked 328,826 loans worth nearly \$50 billion.

Going forward, for the loan review and forgiveness processes, SBA is using a combination of existing systems and new cloud-based systems. Our OCA team has consistently sought to enhance our systems, including the addition of memory and processing capacity in response to the demands placed on the existing technological infrastructure.

I am very proud of the work we are doing at SBA and I am fully committed to ensuring that the Office of Capital Access works as efficiently as possible in supporting all small businesses and non-profit organizations across the country.

Thank you, Chairman Crow and Ranking Member Balderson, for inviting me to testify here today. I look forward to answering your questions and continuing our work together to help advance the success of small businesses across the country.