

AN EXAMINATION OF THE SBA'S COVID-19 PROGRAMS

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED SEVENTEENTH CONGRESS FIRST SESSION

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WEDNESDAY, MAY 26, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., via Zoom, Hon. Nydia Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Davids, Phillips, Newman, Bourdeaux, Carter, Chu, Evans, Delgado, Houlahan, Kim of New Jersey, Craig, Luetkemeyer, Williams, Hagedorn, Stauber, Meuser, Tenney, Garbarino, Kim of California, Van Duyne, Donalds, and Salazar.

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

Without objection, the Chair is authorized to declare a recess at any time.

I want to thank everyone, especially our witness for joining us today.

Let me begin by saying that standing House and Committee rules and practice will continue to apply during remote proceedings. All Members are reminded that they are expected to adhere to these standing rules including decorum when they are participating in any remote event.

With that said, the technology we are utilizing today requires us to make some small modifications to ensure that Members can fully participate in these proceedings.

House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on. If you participate in another proceeding, please exit 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 time slot provided they have returned to the proceeding.

Should a Member's time be interrupted by technical issues, I will recognize that Member at the next appropriate spot for the remainder of their time once their issues have been resolved. In the event a witness loses connectivity during testimony or questioning, I will reserve their time as staff address the technical issue. I may need to recess the proceedings to provide time for the witness to reconnect.

Finally, remember to remain muted until you are recognized to minimize background noise. In accordance with the rules, staff have been advised to mute participants only in the event there is inadvertent background noise. Should a Member wish to be recognized, they must unmute themselves and seek recognition at the appropriate time.

Before we get started, let me take a minute to welcome our newest Member, Troy Carter, from the Second District of Louisiana. Mr. Carter is a dedicated public servant having enjoyed a distinguished career at nearly every level of state and local government. He previously served in both the Louisiana House and Senate and also as New Orleans city councilman. Mr. Carter has a track record as a successful entrepreneur. We think this will serve him well and our Committee, and I look forward to working with him. Welcome, Mr. Carter.

Administrator Guzman, welcome to the Small Business Committee, and thank you for being here today. First and foremost, I want to commend you for the tremendous work you have done for our nation's small businesses.

It is important to point out that you took over the helm of SBA in the midst of an unprecedented crisis for our nation's small firms.

In 2020, COVID-19 closed more businesses than any other year on record and left countless other entrepreneurs clinging for their survival. I appreciate the fact that you are here today in compliance with statute.

Unfortunately, Treasury Secretary Yellen has declined to appear before us in complete disregard for the law, which requires her to do so. Without her at the table, this Committee cannot properly fulfill our oversight responsibilities to American taxpayers nor the nation's entrepreneurial community.

While she and her team may believe their role in PPP and other small business COVID relief programs is dwindling as we move towards economic growth and economic rebirth, they are sorely mistaken. In light of the feedback we have received about the MOU between Treasury and SBA, it is incumbent upon Secretary Yellen to fulfill her statutory requirement and appear before this Committee. I look forward to working with Chair Cardin and Ranking Members Luetkemeyer and Senator Paul to find a mutually agreed upon date for Secretary Yellen to appear before our Committee with Administrator Guzman in the near future.

Congress has passed eight small business relief bills, allocating more than \$1 trillion to small firms during their darkest hour. The federal government's efforts to save small business were extraordinary, but distributing this aid was a monumental task for SBA. The \$1 trillion-plus in federal funding represented more than 10 times SBA's annual budget. As a result, the agency administered more aid during the COVID crisis than it had for all other disasters combined during its 67-year history.

To that end, it is important to recognize SBA employees for their tireless work in getting these programs up and running. The agency's efforts made an undeniable impact on entrepreneurs' lives and helped millions of small businesses and nonprofits avoid permanent closure.

Yet, the massive scale of PPP and other relief programs, coupled with a quick rollout, overwhelmed the agency at times and resulted in a number of problems. My hope for today is that we will not blame but instead work constructively in a bipartisan manner to assess the current programs and partner with SBA to make improvements where needed.

One of my top priorities has been increasing equity in relief programs. Early on, evidence emerged showing the smallest of firms were not getting the same access as their larger counterparts with ties to big banks. That is why I fought hard for PPP modifications last year.

Additionally, under the Biden Administration, SBA has taken deliberate action to deliver relief to underserved communities. These efforts have proven to be effective in reaching those that were left behind in the initial round of PPP.

With the current round of PPP, SBA has approved more than 6 million loans for a total of nearly \$266 billion, with an average loan size of approximately \$44,000. This is a substantial improvement compared to an average loan size of \$199,951 during the first round of PPP in 2020.

I also look forward to hearing more about the Targeted EIDL Program, Restaurant Revitalization Fund (RRF), and the Shuttered Venue Operating Grant Program (SVOG), three new programs that are awarding direct grants to small firms hit hard by the pandemic.

Another issue that has plagued both PPP and EIDL has been fraud and abuse. Unfortunately, to get loans out the door, the previous administration lowered guardrails and fostered an environment ripe for fraud and abuse. GAO added PPP and EIDL to its annual "High-Risk List" in March of this year, meaning there is a need for better management and oversight. I am pleased that under your leadership, the agency has confronted these issues head-on. It is vital that SBA combats fraud and protects taxpayers' dollars.

For over a year, small businesses have persevered through a once-in-a-lifetime crisis. Today, thanks to our collective efforts, small firms have hope. Across the country, customers are returning and business conditions are normalizing thanks to vaccines and public health measures. Though the pandemic may be receding, we must continue to work as a Committee to see small businesses to the end of the crisis and help facilitate a strong recovery.

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

Mr. LUETKEMEYER. Thank you, Madam Chair. And thank you for calling this important hearing.

While I am glad we will be having a conversation with Small Business Administrator Guzman, I am deeply disappointed and concerned that Secretary Yellen is not with us today.

As you spoke, she is required to be here by law, and I will not state the law but it is supposed to be at least 120 days after enactment of the law. She is supposed to be here at least twice a year. This is very troubling and it is in complete violation of the law. I appreciate your comments, Madam Chair, and I would like to work with you to make sure that the law is followed and that we schedule time in the future for Secretary Yellen.

To that end, I have a letter here that has been signed by all the Members, the Republicans on the Committee, as well as a list of events and the schedule of Ms. Yellen over the last 2 months that I would like to enter into the record. I have a couple things—

Chairwoman VELAZQUEZ. Without objection. Without objection.

Mr. LUETKEMEYER. Thank you, Madam Chair.

And the list of activities I have no problem with. I think that she is doing her job. Probably doing it well. But there are a couple of events on here that are actually political activities. And again, I do not have a problem with her doing it except that it shows that she is prioritizing political activities over her job which is by law supposed to be in front of us. That cannot happen.

The Paycheck Protection Program (PPP) was established in a bipartisan manner to be administered by the SBA and the Department of Treasury. With reservation, Secretary Mnuchin testified before this Committee last Congress. His testimony was critical as it helped Members on both sides of the aisle export questions from their constituents and assisted Members with next steps for the COVID relief programs. It is a clear sign that this administration's Treasury Department, one of the biggest in the federal government, is ignoring America's small businesses. Simply put, if the Treasury Secretary and Biden Administration truly cared about the nation's small businesses and their employees, Secretary Yellen would be testifying today.

Despite the Treasury secretary not being with us, we have much to discuss. COVID-19 was devastating to our nation's small businesses, entrepreneurs, and startups. Without precedence, state and local shutdown orders forced small businesses to operate either under restricted capacity numbers or close their doors to the public all together.

Responding to the backbreaking impact on small businesses, Congress and the Trump Administration quickly focused on assisting small business workers. According to SBA's Office of Advocacy, small business employees represented approximately half the nation's workforce. Importantly, one program that was front and center for struggling small businesses was the Paycheck Protection Program, which private sector lenders delivered to small businesses many, many, many loans and all the dollars in those loans.

PPP offered potentially forgivable loans in the dollars that were used and on payroll and a few other eligible expenses and millions and millions of small businesses took advantage of the program. And it is now concluding. The next phase of the program will focus strictly on the PPP forgiveness.

Beyond PPP, Congress also activated the EIDL program. But unfortunately, this program, which is administered as a direct loan program through SBA, has been riddled with fraud. The SBA Inspector General Report highlighting \$78 billion in fraudulent activity to a report released 3 weeks ago where the inspector general found over 800,000 EIDL applications that were flagged for identity theft concerns, it is clear the program is not safeguarding American taxpayer dollars.

Any amount of fraud is absolutely unacceptable. However, this level of fraud shows the SBA is not suited to administer any direct lending program.

On top of the fraud issues, the EIDL program is slow to reach small businesses in time of need. Historically, the SBA turn time to small businesses has always been at a snail's pace. In stark contrast, the PPP, unlike the EIDL program, was set up to capitalize on the efficiencies of private sector lenders, not the SBA. In addition to the turn time, the PPP also protected taxpayer dollars more effectively compared to EIDL due to lenders having responsibility to know their customers and know how to underwrite loans.

As we continue to explore the SBA programs, we must look to the private sector to find efficiencies and innovations. The SBA's ability to make direct loans to small businesses must be studied.

In addition to making loans, the SBA has also inefficiently operated the Shuttered Venue Operator Grant Program for struggling venues, theaters, and other cultural entities. The night before the program launched, the SBA's inspector general warned of a series of concerns or serious concerns about the oversight controls in place. Then, a few hours after the opening of the portal, the SBA had to take it offline to troubleshoot. The program eventually relaunched but has yet to disburse any funds to struggling venues, although this morning, conveniently this morning, they announced that they are going to disburse some money very shortly. Amazing how that works.

While the SBA has been ignoring the venues program, it has been championed by the Biden Administration's Restaurant Revitalization Fund Program. The SBA celebrated the priority period which unfairly picks winners and losers. This administration even highlighted that the program is reaching potentially undocumented individuals and those with an unknown immigration status over hardworking citizens of the United States. And they are even being sued for this discriminatory practice today.

Overall, it seems each day brings another complication from the SBA. I know Republican Members have many of the same concerns that I do. However, the SBA's track record for answering our questions has been underwhelming, and at times, nonexistent. Thus far, my colleagues and I have sent numerous letters to Administrator Guzman and received limited responses.

I would like to insert every letter that has failed to receive a response in today's record. The hearing record, Madam Chair. I would like to insert some records, some letters.

Chairwoman VELAZQUEZ. Without objection.

Mr. LUETKEMEYER. Thank you, Madam Chair.

I am hopeful this conversation produced results because at the end of the day, small businesses drive our nation's economy. We must provide an environment for small businesses to operate independently and as quickly as possible. Unfortunately, this administration is threatening the small business recovery with increased taxes and more regulatory burdens. We cannot allow these changes to occur. The health of our nation will depend on the health of small businesses.

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

Chairwoman VELAZQUEZ. Thank you, Mr. Luetkemeyer. The gentleman yields back.

I would like to take a moment to explain how this hearing will proceed. You will have 5 minutes to provide a statement and each

Committee Member will have 5 minutes for questions. Please ensure that your microphone is on when you begin speaking and that you return to mute when finished.

I would like to introduce The Honorable Isabella Casillas Guzman, who was sworn in as the 27th administrator of the SBA. She previously served as Director of the California Office of the Small Business Advocate in the Governor's Office of Business and Economic Development. From 2014 to 2017, Administrator Guzman served in leadership of the SBA as the agency's Deputy Chief of Staff and Senior Advisor where she oversaw policy and new program implementation. She earned a Bachelor of Science from the University of Pennsylvania Wharton School of Business. Welcome, Administrator Guzman.

Ms. Guzman, you are now recognized for 5 minutes.

**STATEMENT OF THE HONORABLE ISABELLA CASILLAS
GUZMAN, ADMINISTRATOR, UNITED STATES SMALL BUSINESS ADMINISTRATION**

Ms. GUZMAN. Good morning, Chairwoman Velázquez. Thank you so much. And Ranking Member Luetkemeyer, as well as Members of the Committee. I really appreciate the invitation and the opportunity to be here to discuss SBA's programs in response to the COVID pandemic.

When I appeared before you as a nominee, excuse me, when I have been meeting with you all over the past couple of months since I have been in office, I have mentioned how this unprecedented crisis for our nation's 30 million small businesses and innovative startups has created a sense of urgency at the SBA to work harder, think more creatively and build more collaboration to meet the desperate need presented by this moment. And in my first 100 days as SBA administrator, I can tell you that my motivation to deliver for our entrepreneurs has only intensified. And I have to share how proud I am of my incredible mission-driven team at the SBA who despite having had to scale at a high intensity the past year-plus remained incredibly committed to our nation's entrepreneurs. They have been working around the clock to deliver all the components of the American Rescue Plan's crucial relief program to ensure our small businesses can survive this disaster and get on the path to recovery, growth, and resilience.

We are making significant progress, particularly in our efforts to reach small businesses owned by women and people of color, who, because of longstanding barriers to capital, markets and networks have suffered disproportionately from this pandemic and by many accounts were not able to access relief.

We are seeing the impact. The latest economic reports show that small business jobs have begun to rebound, and proprietors' income levels have begun to recover. And, we are hearing from the small businesses we serve that both our traditional and our new relief programs have created vital lifelines.

Earlier this month, we successfully launched the \$28.6 billion Restaurant Revitalization Fund. As of Monday, when the application portal closed, we have received more than 372,000 applications representing over \$76 billion in requested funds, and more than half of those applications came from food and beverage businesses

owned by women, veterans, and people of color, who as directed by Congress, received priority access to the program. And we are reaching the smallest of the small food and beverage businesses, with one-third of the total funds set aside just for them, including a specific set-aside I created for businesses with revenues of \$50,000 and under. I am proud of how we have rolled out this program in under 2 months while focusing on my key priorities of meeting small businesses where they are and integrating a customer-first, technology-driven, and equitable approach.

We also launched the \$16.2 billion Shuttered Venue Operators Grant Program. As of May 25, the SVOG program has received more than 13,000 applications for approximately \$11 billion in requested funds. We started awarding our SVOG funds this week and we hope to continue to help our nation's venues hold on until they can bring back the performances and experiences that are the lifeblood of the American culture.

Through our Paycheck Protection Program and Economic Injury Disaster Loan Program, we have now gone beyond \$1 trillion in relief, and so far in 2021, 95 percent of PPP loans have gone to small businesses with fewer than 20 employees.

Our priority across all of our relief programs is to get funds into the hands of small businesses swiftly, efficiently and equitably. At the same time, we are also committed to maintaining a high level of oversight to minimize fraud and abuse while elevating transparency and open communication. We have implemented controls and oversight to better achieve that balance and reverse some of the previous fraud challenges that initially plagued the PPP and EIDL programs.

I was pleased to hear both GAO's Bill Shear and SBA's Inspector General Mike Ware say in a recent House Committee hearing that transparency at the SBA has improved under my watch and that our relationship is off to a very good start. There is a lot of work to do but we are working diligently to ensure this relief gets into the hands of the businesses for whom it was intended.

Beyond our COVID relief program, we are also looking to the future and our nation's economic recovery with an eye toward equity. Small businesses are starting to reopen but they are still reeling with major revenue losses, and most expect recovery to take more than 6 months. This means that we will continue to see the need for capital, which is why the SBA is exploring all options to open up capital access, including direct lending.

Additionally, we know that the best thing we can do for our small businesses is to help our nation recover from COVID and get our marketplaces and main streets back to normal. With more than 61 percent of adult Americans who have taken at least one shot of the COVID vaccine, we are making progress. The SBA is doing its part by getting the word out about the American Rescue Plan tax credit available to small businesses that provide paid leave to employees receiving or recovering from a COVID vaccination.

There is so much more work to do. As the voice for America's small businesses and innovative startups, I will be leveraging every tool at my disposal to bring businesses back, create jobs, and build an equitable economy that works for everyone. I look forward to

partnering with you all to give entrepreneurs the tools they need to start, sustain, and grow into the future.

Thank you so much, Chairwoman Velázquez, Ranking Member Luetkemeyer, and Members of the Committee, for the opportunity to appear before you today.

Chairwoman VELAZQUEZ. Thank you, Ms. Guzman.

I will begin by recognizing myself for 5 minutes.

Ms. Guzman, Administrator, we will hear a lot today about fraud, which has been a concern since the relief programs opened. Since you took over as administrator on March 17, how has the agency worked to prevent fraud, waste, and abuse in its pandemic response programs, both old and new, like restaurants and shuttered venues?

Ms. GUZMAN. The administration has made it a priority to implement all of our relief programs with integrity and transparency, and SBA has been implementing a holistic approach to fraud mitigation to ensure consistency across all of those programs. It is a high priority of mine as well. As I said, I want to get these funds into the hands of those businesses it was intended to serve. So my staff is aware that I take this seriously in cooperation with the GA and IG has been of high importance for us to make sure that we are implementing best practices and doing the most that we can to prevent fraud, waste, and abuse.

I have directed my team to look at best in class practices, adopting technology where it works to ensure that we are aligned with best practices that the IG and GAO have recommended, and we have been implementing controls and evaluating it.

Chairwoman VELAZQUEZ. Thank you. So you are open to providing any information required by the IG, GAO, providing data that they must access in order to make an assessment as to if the programs are working as they were intended by law?

Ms. GUZMAN. That is correct.

Chairwoman VELAZQUEZ. The Restaurant Revitalization Fund has a 21-day priority period for grants to women- and veteran-owned businesses and socially or economically disadvantaged firms. Who would this program help to ensure the equitable distribution of pandemic relief?

Ms. GUZMAN. We have worked really hard to do extensive outreach across the board for restaurants, reaching our smallest businesses, as well as those priority groups across the board. We have reached over 100,000 people in multiple events. And so that is reflected in the large number of applicants that we have seen come through the system. We believe that that outreach, that connection to resources is most critical to make sure that businesses of all types can access this program.

In addition though, we tried to streamline, put ourselves in the customers' shoes, and adopt technology to make sure that this process was as simple as possible for them to access. And we have seen those results come into play because on average, about 20 minutes to fill out the application. There are technology prompts throughout to help businesses, and they have gotten assistance with greater customer service in over 17 languages.

Chairwoman VELAZQUEZ. Thank you.

Ms. GUZMAN. And we have done a lot.

Chairwoman VELÁZQUEZ. Yes. I have another question and too many to ask.

In the first round of the PPP, large companies took advantage of the emergency relief, squeezing out the neighborhood restaurants and “mom and pop” shops. Could you discuss how the set-asides for community lenders and small businesses in LMI areas can ensure that the capital was made available to the smallest of the small businesses and truly underserved businesses?

Ms. GUZMAN. Based on the performance that we have seen with these community financial institutions, our CDFIs and CDCs, and minority depository institutions, we know that they oftentimes reach those businesses that have been underserved. And so those priorities have enabled businesses to access the program. And as I shared that we have seen in 2021 that the PPP has been accessed more by LMI communities, as well as rural and those underserved marketplaces.

Chairwoman VELÁZQUEZ. Thank you. The pandemic has exposed the systemic inequalities facing women- and minority-owned small businesses, which have been particularly hard hit this past year. What steps are you taking to address these inequalities and to make sure all small businesses have access to SBA resources?

Ms. GUZMAN. I have instructed my teams to really position themselves in the customers’ mindset. I mean, understanding what their financials look like, what their situation is. Businesses have been transformed especially during COVID. Their situations are quite different. So we are evaluating all our programs to make sure that they can serve all constituencies equitably and everything is on the table. In addition, we are focusing on the outreach and the Community Navigators Pilot Program will be just another tool that we can make sure that our businesses are connected to the resources that they need.

Chairwoman VELÁZQUEZ. Thank you. I really want to commend you for raising the limit on the EIDL program to \$500,000 as one of your first actions as administrator.

My time has expired and now I recognize the Ranking Member, Mr. Luetkemeyer, for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chair. And welcome, Administrator Guzman.

As we all know and we discussed here, COVID hit our country and caused all sorts of unprecedented things within our economy to happen, shut down the economy, and as a result, lots and lots of small businesses were in dire straits. Some of them going out of business, some of them temporarily postponing their ability to have their businesses open. And we put in place the PPP program and the EIDL program but they had dramatically different outcomes. The PPP program, which was run by and administered by the financial institutions did a really, really good job. When you look at over \$800 billion going out the door and the minimal amount of fraud and theft, identity theft that went on, it is in a ten-thousandths of a percent, which by any measurement that is very successful. The EIDL program to contrast that was over \$200 billion and roughly a third according to the SBA’s Inspector General as in my opening remarks, has either been pointed out as potential fraud if not documented fraud, identity theft in particular, with that pro-

gram. Over 800,000 applications have been flagged for identity theft. There is a difference in the way these two programs are administered. One is through the private sector which has law and rules with regards to knowing your customers. They have processes and procedures in place. They know how to administer loans, make loans. And then the SBA was totally in charge of the EIDL program.

Do you believe or do you acknowledge that the private sector lenders from the community banks, the CDFIs and MDIs, efficiently delivered funding to small businesses during COVID, Administrator Guzman?

Ms. GUZMAN. Our partners have done a great job as they have across our historic programs in implementing the PPP. Yes, I would agree with that. And then in terms of the EIDL, specifically, note that there were some challenges in the way the program was designed, which is why I have informed my staff that we need to look at fraud controls from inception of design and implementation. For example, by statute, we are not allowed to collect tax returns, which is one of the biggest controls that we can use as a tool. So without some of those controls in place in the beginning, of course, that has now shifted and we have adopted controls in place to prevent fraud in order to really meet the needs of these small businesses to make sure it gets into the hands of the right folks.

Mr. LUETKEMEYER. Do you think incorporating some private sector lenders in the middle of that would be helpful?

Ms. GUZMAN. I know that across the board our private sector lenders are great partners across the board. But in terms of the interest in providing disaster assistance, historically, they have not been interested. It has been too costly for them to adopt this type of relief and that is why the government has stepped in to provide assistance.

Mr. LUETKEMEYER. Well, maybe we can work together, administrator, to iron out that little problem there in that a third of the money could be susceptible to fraud is totally, totally unacceptable. Something has got to change structurally within what is going on in the EIDL program. And it looks to me if you just compare PPP to the EIDL program, the template is there for how to fix this. But I want to work with you on that. We have got a huge problem. Together we can come up with some solutions. Thank you.

Ms. GUZMAN. I look forward to that.

Mr. LUETKEMEYER. The PPP program, I just want to talk about it for a little bit with regards to the forgiveness aspect of it. We just got a letter back from Mr. Kelly within your office there and he was telling us that there is still roughly a little over 36,000 PPP loan forgiveness applications that have now exceeded the 90-day window requirement within which the SBA should begin to administer this forgiveness program. What is your solution on that? How can we get this fixed?

Ms. GUZMAN. For context, the SBA has processed over 60 percent of the 2020 PPP loans for forgiveness. That 36,000 represents about 1 percent of the total and we are committed to trying to work through those issues with the lenders. The Office of Capital Access obviously has been collaborating with the lenders to try to figure out how we can help their review process. On average, it takes

about 6 days for the SBA to process forgiveness once the lender has signed off. And so we are working in partnership with them to solve this issue.

Mr. LUETKEMEYER. Is there an ability to contract that out so we could speed that up? Because the next round of forgiveness is just around the corner here with this last tranche of PPP money. Is there a way we can speed that up, make sure that this gets done in a more timely fashion? Would contracting it out be helpful?

Ms. GUZMAN. I am not sure that contracting out would be helpful but we have been working with the lender groups. I have been meeting with them myself, as well as Patrick Kelley to come up with solutions to try to streamline this system. Obviously, we have a simplified process so that \$150,000 to \$2 million loan sizes are obviously what we are looking at to try to streamline it. The demand is going to increase if we shift towards forgiveness. So I look forward to partnering with you on that.

Mr. LUETKEMEYER. Very good. Because I know we appropriated lots and lots of money over the last two or three bills here to be able to do this. So we either need to be hiring more people or we need to be contracting this out so this can get done in the timely fashion the way it is supposed to. So I look forward to working with you on that, Administrator Guzman.

With regards to communication, we started out I think on the right foot and it took about a week to get our first call set up but we finally got that done and we were able to respond pretty quickly to my first initial letter. But yesterday, or I guess last week, we finally got a letter in response to something we did 2 months ago. And I know my colleagues are very concerned. You are going to get a lot of questions on this today about communication.

Chairwoman VELAZQUEZ. Mr. Luetkemeyer?

Mr. LUETKEMEYER. Yes, ma'am.

Chairwoman VELAZQUEZ. Time has expired.

Mr. LUETKEMEYER. Okay.

Chairwoman VELAZQUEZ. You have it.

Mr. LUETKEMEYER. We will send this question in written form to the administrator.

We thank you, Madam Chair, and yield back.

Chairwoman VELAZQUEZ. Thank you. The gentleman's time has expired.

Now the gentlelady, Ms. Davids, from Kansas, is recognized for 5 minutes.

Ms. DAVIDS. Thank you, Chairwoman. And thank you for holding this hearing. I also want to say thank you to Administrator Guzman for joining us today.

We know that even with the rising numbers of vaccines and vaccinations getting into people's arms, even with the decreasing numbers of infections that many small businesses are still feeling the impacts of this pandemic and there are still a lot of financial and logistical hurdles that face small businesses throughout the economic recovery and reentry. And I know that Ms. Guzman and our Committee and all my colleagues remain committed to supporting our small business community through all of these challenges.

I am going to piggyback a little bit on some of the comments that the Ranking Member shared. In February, my office raised con-

cerns with the SBA about the fraud and abuse and the PPP and EIDL programs. In part, it is because a number of Johnson County residents, which is in the Third District in Kansas, have been the victims of identity theft and fraud that took place in the EIDL program. And I have urged the SBA to focus on these cases, and it sounds like you are. Because they are not only a misuse of taxpayer funds but also directly and personally impacting the constituents in my community.

Ms. Guzman, or Administrator Guzman I should say, I would love to hear you talk a little bit about the work that the SBA is doing to eradicate the fraud and waste and abuse from the EIDL program. And then if you could also talk a bit the ways that the SBA is working with the victims of identity theft and fraud that is taking place through either EIDL or PPP just to ensure that those victims are not held personally liable and that they are made whole.

Ms. GUZMAN. Thank you for that. As I had shared, we are implementing controls and evaluating on an ongoing basis, an iterative process to stay best in class, to prevent fraud. And that happens at the program design phase 41:23xxx way. So we are really committed to this issue. We have obviously put in a lot of specific frameworks in place across our capital access programs, including PPP and the Restaurants program. And then within our Office of Disaster Assistance on the Shuttered Venues, as well as the EIDL program. We are really committed to making sure these funds get into the hands of those businesses as it was intended and we are seeing enormous drops now that we have implemented those controls.

However, in February, we did impellent a process to help businesses through identity theft issues as clearly that was a huge problem in the beginning of these programs. And so we want to make sure that businesses are supported through that process. There is now a support system and a process in place for them to reach out to the SBA, get assistance in fighting that specific identity theft case. And we actually have hundreds of investigators on support with the IG to help prevent, help investigate and actually pursue any cases of fraud as we take all cases very seriously.

Ms. DAVIDS. Thanks. I appreciate that.

If necessarily, our office, of course, will reach out if we are hearing things that continue to be of concern so that you are aware of it and are able to address it. I appreciate that.

And then the second thing, you mentioned a little bit about restaurants. Restaurants, bars, the shuttered venues have obviously been hit especially hard during this time, which is why we targeted resources towards those small businesses. I know the demand for those funds are oversubscribed.

I am curious if you could talk a little bit about the expansion of eligibility or allowing for additional funds to continue these programs. In your view, does that make sense? And is it something that we should be working toward?

Ms. GUZMAN. We have seen a huge demand as I said. Over \$76 billion in requests on the Restaurant program. On the Shuttered Venues program, over \$11 billion but it looks like applications are still coming in. We are still accepting applications but it looks like

there might be enough funding for that in addition for them to get supplemental. But on the Restaurant Revitalization Fund, we are happy to provide any data and support Congress if they make that decision to replenish that fund and support restaurants through this time. We are still seeing obviously a huge demand and this assistance is helping them keep their doors open.

Ms. DAVIDS. Thank you, Administrator. I appreciate you being here and your testimony today.

And Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

The gentleman from Minnesota, Mr. Hagedorn, is recognized for 5 minutes.

Mr. HAGEDORN. Thank you, Chairwoman Velázquez. I appreciate you bringing up the fact that Ms. Yellen was not here today. Thank you for doing that on behalf of the Committee.

Administrator Guzman, as a Member on the Republican side of the aisle, I can assure you that every colleague that is on the Committee that I have served with in both the last Congress and this, has tried to in a bipartisan way pass bills that are going to help all of the American people, particularly our small businesses in this instance, get from one side of the coronavirus to the other. And we did that in a number of ways with a bunch of different programs but we wanted to treat everyone equally. And just last Thursday, I, along with my fellow Republicans, sent you a letter talking about the Restaurant Revitalization Fund. And we do not really believe that everyone is being treated equally when it comes to that particular program.

For whatever reason, the Biden administration, the Democrats put together a priority list which prioritizes a lot of different restaurant owners, and they are great and we want to help them all. But for whatever reason, the priority list, the people who were not on that list were not allowed to be funded at this time because you closed the whole portal the very day that the priority list was set to end sending in applications.

For the record, can you explain to us the characteristics of the people that are barring restaurant owners who were not on the priority list?

Ms. GUZMAN. Sure. Of course. The initial outreach that SBA did was extensive with the National Restaurant Association, as well as the Independent Restaurant Coalition, to reach all of the businesses. We informed everyone that this was “first come, first serve” and that everyone should apply, despite what the processing priority was going to be for those first 21 days. And I think that is reflected in the 372,000 applications. Only 214,000 of those are for the underserved or priority groups which includes, of course, veterans, women, and socially and economically disadvantaged individuals.

Mr. HAGEDORN. Who is not on the priority list? That was my question.

Ms. GUZMAN. Well, the priority list includes women, veterans, and socially and economically disadvantaged individuals.

Mr. HAGEDORN. Who is not on the priority list?

Ms. GUZMAN. Those individuals that do not fall into those categories, if they are not socially or economically disadvantaged as outlined.

Mr. HAGEDORN. I will reclaim my time.

It would be helpful if we would just be honest about it.

So anyway, the portal closes. The only people at that point who are going to be funded are people on the priority list. One hundred thousand or more bar and restaurant owners across the country that are not part of the priority at this point will not be funded. They happen to be, let's just be honest with it, White men that own bars and restaurants. Those are the folks. How is that not discriminatory or even outright racist?

Ms. GUZMAN. Well, you know, White men who either have partners who fall into those categories, it is not 100 percent ownership. It is, you know, 51 percent. In addition, veterans are able to access this program. And what I would say is that the priority, while the applications closed, we have all these applications and we are beginning to process all applications, nonpriority as well. There were also small business set-asides and so some of those small business set-asides remain and so those will also, you know, businesses that fall into those categories will have an opportunity to be funded.

Mr. HAGEDORN. But those are the only people who were not part of the priority. So it makes sense to me that that would be discrimination in any sense.

The other thing I would add is that how can we be sure that illegal aliens are not receiving this money before U.S. citizens?

Ms. GUZMAN. We know that restaurants are job creators, clearly, and immigrant entrepreneurs just as much so, they are all job creators. They are all taxpaying. You have to be based in the U.S., a tax paying entity in order to access this program and that is the threshold that we follow.

Mr. HAGEDORN. So there is no assurance of that.

Look, I think it is bad enough that when a government, federal government picks winners and losers, that is socialist policies. And to do so based on race, and even putting illegal aliens ahead of U.S. taxpayers to me does not make any sense. We should all be treated equally. We should all have the same opportunity. And right now it does not seem it. It seems like there is a big segment of our population who happen to be bar and restaurant owners who are not being treated equally. And I hope that we would reject that type of racial politics. I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Minnesota, Mr. Phillips, for 5 minutes.

Mr. PHILLIPS. Thank you, Madam Chair. Welcome, Ms. Guzman. All of us are hearing about the current programs—PPP, EIDL—not meeting the needs of certain heavily impacted small business industries. Fitness and wellness being a good example. Has the SBA considered recommendations to this Committee on some alternative solutions perhaps to buoy these small businesses?

Ms. GUZMAN. We do. We hope to continue to serve PPP until it is over, the smallest of the small businesses, and including those highly impacted industries referenced. And so we do believe that there is opportunity to access that program as it was opened up

more for sole proprietors and independent contractors to change the way that we assess the dollar amounts of that program. So I do believe that is still an opportunity.

In addition, of course, you have your targeted EIDL Advance Program that we have been pushing out. There are specific eligibility requirements across that program, but in early June, we will be opening up that program more broadly to all those in the eligible categories outside of those who previously applied for EIDL Advance. And so we think that is another opportunity to support these underserved businesses, impacted industries that still need relief.

Mr. PHILLIPS. Okay. And Ms. Guzman, any potential to expand the SVOG program to include fitness operators?

Ms. GUZMAN. The statute on the SVOG was very specific in many ways and very restrictive about the eligibility requirements, and SBA is following that guidance from Congress.

Mr. PHILLIPS. Okay.

Ms. GUZMAN. At this time there is no way to expand that.

Mr. PHILLIPS. Okay. I just wanted to make sure my advocacy is clear relative to certain industries that really have struggled disproportionately.

My next question is about the Restaurant Revitalization Program as it relates to closed locations in determining eligibility. Despite the SBA indicating that closed business locations are ineligible, which is I think on Form 3172, Item 3, some are being shut out from receiving the funding to keep the businesses afloat because the forms require them to count closed locations amongst their operating entities. So will the SBA provide any guidance and updates in its forms that reflect that restaurant locations not doing business as of March 13, 2020, and those permanently closed will not prevent a group from qualifying for the RRF?

Ms. GUZMAN. I will go back with my RRF Team to explore that issue and get back to you.

Mr. PHILLIPS. Okay. I appreciate that.

Lastly, when the Committee heard from the GA and SBA Inspector General, we learned that while millions of America's small businesses have benefitted from the programs, SBA was repeatedly warned that the speed in which the programs were implemented left the agency with limited safeguards to identify and respond to risks such as improper payments and clearly fraud. I am concerned about the potential for fraud in the Restaurant Program as well, as some of my colleagues have already indicated. With the Ranking Member of the Subcommittee on Oversight, Investigations, and Regulations, the two of us have introduced legislation to require the SBA to report to Congress on the plan, their plan, your plan, and the steps that have been taken to ensure that the resources within the program reach the businesses in need.

Can you share with us, the entire Committee, what steps, if any, that you have taken so far relative to oversight?

Ms. GUZMAN. On the Restaurant Revitalization Fund specifically, we have implemented industry best practices, as well as strong controls, fraud controls in place to ensure that there is limited fraud. In the program, we have reviewed our full plan with the IG and GAO and feel comfortable with the current process that we

are following to reduce that and minimize that risk wherever possible. And it is an iterative process and we continue to look at upgrades as we move forward.

Mr. PHILLIPS. Okay. If anything, it unifies Democrats and Republicans in this case. It surely is relative to prevention of fraud and assured dollars are being used appropriately, effectively, and efficiently. So we thank you for your attention to that.

With that, Madam Chair, I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Minnesota, Mr. Stauber.

Mr. STAUBER. Thank you, Madam Chair. And Administrator Guzman, I appreciate you being here today.

I am extremely frustrated with Secretary Treasurer Yellen not following the law. As the Chairwoman eloquently stated, it is her responsibility to follow the law and be here. And I equate my frustrations with both the Chairwoman and Ranking Member Luetkemeyer for the comments against Yellen for not showing up. It is just unconscionable that she is not here, blatantly not following the law which says, I think, a lot about the individual.

Now, Administrator Guzman, how many small businesses are organized as a subchapter C corporation?

Ms. GUZMAN. I do not have those exact numbers. It represents more of the employers than small businesses as a whole.

Mr. STAUBER. Can you give us a guess? Can you give us a guess?

Ms. GUZMAN. I cannot give you a guess. I apologize. I do not have those numbers off the top of my head. Of course, I have looked at it because obviously, it is not, you know, there are some tax benefits we have looked at before and small businesses category.

Mr. STAUBER. Would you say hundreds of thousands?

Ms. GUZMAN. Oh, I am sure.

Mr. STAUBER. Okay. Has the Biden administration proposed increasing the corporate tax rate, thus increasing taxes on these one hundreds of thousands small businesses that are organized as a subchapter C corporation?

Ms. GUZMAN. You know, I know that small businesses across the board have average revenues that are very small. I mean, if you look at the Office of Advocacy's report, under \$50,000—

Mr. STAUBER. And Administrator Guzman, because my time is limited, the question was, has the Biden administration proposed increasing the corporate tax rate on these subchapter C corporations?

Ms. GUZMAN. Those should not. We are focused on trying to remove some of those loopholes for the larger entities. We do not intend to affect the small entities.

Mr. STAUBER. Is that a yes or a no?

Ms. GUZMAN. To my understanding, we are not focused on the small entities. We are focused on the larger corporations and the loopholes that exist for some of those entity types.

Mr. STAUBER. Administrator Guzman, how many small businesses are organized as pass-through businesses?

Ms. GUZMAN. Again, I do not have those numbers offhand and I could not share those with you. But I am happy to follow up with your staff and we can have a more—

Mr. STAUBER. Administrator Guzman, there is approximately 95 percent of small businesses that are pass-through. Has the Biden administration proposed rolling back the Section 198 deduction on these pass-through incomes, thus potentially increasing taxes on some 95 percent of small businesses that are organized as pass-through businesses?

Ms. GUZMAN. I am not familiar with the specifics so we will have to follow up. But I appreciate the question and, of course, small businesses seek simplicity. They are obviously, you know, it is critical that we are able to help them both on the revenue side of the equation as well as support them with a tax structure that does not favor large corporations.

Mr. STAUBER. Will the Biden administration increase taxes on pass-through corporations?

Ms. GUZMAN. Again, I do not have those specifics.

Mr. STAUBER. How will a substantial increase in a capital gains tax and regulation help small businesses “build back better”?

Ms. GUZMAN. I appreciate the line of questioning around the tax issues for small businesses. Obviously, it is really critical that our economists continue to look at ways that we can improve the economy and help those small businesses, you know, across the board. Again, the focus is on trying to ensure that the system is equitable for our small entities, as well as large corporations and ensure that—

Mr. STAUBER. Administrator Guzman, in light of time, I just have 30 seconds.

Ms. GUZMAN. Sure.

Mr. STAUBER. Will the increase in the capital gains tax help or hurt small businesses?

Ms. GUZMAN. It will depend on the size and scale of those investments. So I cannot peak specifically. I do not have the analysis.

Mr. STAUBER. So you cannot answer the question whether capital gains will help or hurt small businesses?

Ms. GUZMAN. I do not have the full analysis, economic analysis on that.

Mr. STAUBER. Madam Chair, I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

This is the reason why we need Secretary Yellen here. The SBA administrator is in charge of programs that have nothing to do with tax policies.

Now we recognize Ms. Newman from Illinois for 5 minutes.

Ms. NEWMAN. Thank you, Chair Velázquez. And thank you, Ranking Member, for putting this together. Administrator Guzman, welcome.

So I am just going to refer to my colleague’s comments just right before me. By and large, when you have spoken to the Biden administration at length, they are making sure that small business is not affected by any tax increase of the largest of companies. And again, I stress that the Biden administration has made—in fact, that is a line in the sand I would be willing to commit to from the Biden administration. So that for the record.

And then secondly, capital gains has been studied time and time again. It never affects small businesses. So I encourage him to look that up.

But my question for you, Administrator Guzman regards two things. I know that you have hit the ground running since March 17th. A lot going on very obviously. But structurally, the first thing you do when I have gone into an organization is to look at the structure of the organization. Have you made enhancements or improvements across your leadership? And you do not have to get into hiring/firing, but have you reorganized in any way that will help address some of the issues that have been cited? Right? Data integrity. There is a little bit of fraud out there, and some of the other bigger issues. So if you can talk broadly about your structural reorg.

Ms. GUZMAN. Well, the number one thing is that we continue to look at the symptom process and that includes the structure and how our departments are functioning under the leadership. However, across the board what we have tried to implement is an enterprise-wide approach. You know, breaking down some of those silos and increasing collaboration across the board. A great example is in the EIDL and PPP programs. Our Office of Capital Access and Officer of Disaster Assistance are working more collaboratively now with the Office of Field Operations so that those boots on the ground at the SBA and district offices across the country are able to access information on those loans for our constituents and be able to help them through the process. Previously, that was shut down and so we reimplemented that as an example. So that cross-collaboration, enterprise-wide approach, I have definitely already been started and we will continue to look at other improvements specifically in departments as we move forward.

Ms. NEWMAN. Thank you for that.

Second question is with regard to Community Navigator. I thought this was a brilliant program. You know, about 80 percent of my GDP in Illinois 3 are companies under 15 employees and under \$2 million in net revenue. And therefore, these folks, the owners, and they are largely family owned, are working very hard every day on their business and do not have time to navigate onerous documents. And so the Community Navigator Program I think is brilliant but I know that we are not quite there yet. Can you give us an update on when those navigators will be available and if you are going to use consultants and volunteers and the like. So if you can share.

Ms. GUZMAN. Yes. On the Community Navigator Pilot Program, the Notice of Funding Opportunity was released yesterday. We have a 45-day open period for nonprofits, both national, as well as local, regional, to apply to either be a hub or a spoke in the system. Obviously, the ultimate goal is to get hyperlocal with authentic and competent local organizations who can help businesses navigate the resources that are available to them and hopefully better access in the future.

Ms. NEWMAN. Great. Thank you very much for your time. Thank you for being here. And I yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now we recognize the gentleman from Texas, Mr. Williams.

Mr. WILLIAMS. Thank you, Madam Chairman.

I am a small business owner. Have been for 51 years. I am also the author of the Save Our Stages bill that we have been talking about today.

Madam Chairman, you are the head of the Small Business Administration; correct? Can you hear me, Madam Chairman?

Ms. GUZMAN. Are you speaking—

Mr. WILLIAMS. You are head of the SBA; right?

Chairwoman VELAZQUEZ. Administrator.

Ms. GUZMAN. Yes. Administrator.

Mr. WILLIAMS. Okay. All right. So my question is, have you ever met a payroll? Have you ever started a small business? Have you ever drawn a line of credit? Have you ever sold a product?

Ms. GUZMAN. Yes, I have. I come from a family of small business owners and I grew up working.

Mr. WILLIAMS. Okay. And just to help you along the way, let me tell you, on these taxes you are getting asked about, just remember this: low taxes helps business, high taxes hurt business.

Now, I sent you letters on February 4, February 25, March 18, April 9, April 15, and April 19 to try to give my constituents an update on the Save our Stages and the PPP Program. And like we have heard today, to date I have not received one response, even with the Chairwoman being on these letters with us. So what you are doing, you are ignoring my requests. You are blowing me off. You are blowing 700,000 people off in my district in Texas that sent me to Washington to help fix problems.

So Madam Administrator, when we spoke on the phone last month, you said that these communication problems would be fixed and yet nothing has changed. Not only for me, but for others. So what are you going to do to get these communication issues fixed? Or should we just talk to lobbyists? I mean, we are hearing more from the lobbyists than we are from your office. So should we talk to you or lobbyists? How are you going to get this fixed, and with a short answer, please.

Ms. GUZMAN. I remain committed to transparency and collaboration. And we have done over 100 briefings to date. We are providing weekly/monthly reports.

Mr. WILLIAMS. Okay.

Ms. GUZMAN. An increase in outreach to our Oversight Committee.

Mr. WILLIAMS. But you have failed to call me back.

Second question. Today marks 151 days since the Shuttered Venue Operator Grant Program was signed into law by President Trump. I am the author of that. We have seen countless music venues and movie theaters go out of business while the rest have been struggling to keep their doors open until this 1:04:58xxx assistance hits their bank accounts. And as these businesses have been waiting while the Small Business Administration struggles to get the program off the ground, the agency turned all their focus to the Restaurant Revitalization Fund and got funds in bank accounts within 7 days of the application opening. To the date that now has sent nearly \$28.6 billion out the door while the Save Our Stages program has delivered absolutely zero. Nothing. So it is

hard to classify the SBA's rollout of this program under your watch as anything but a total disaster and a total failure.

So on behalf of 12,000 venues who have waited over 5 months, when will these businesses see the money? We understand today through the lobbyists, we have learned that, and was the problem this way because this was a President Trump thing and you just pushed it to the side like we saw so many with the Biden administration? So why can we not get it right like we did with the restaurants?

Ms. GUZMAN. I appreciate that question. And to clarify, the Shuttered Venues Operator Grants Program is being administered by a whole different team, our Office of Disaster Assistance. We actually placed the Restaurant Revitalization Fund in a different office to ensure resources were available for both.

Mr. WILLIAMS. Then Madam Chairman, why do you not give it to that group and let them get it out?

Ms. GUZMAN. Actually, this team has been working really diligently around the clock. They are capable and being effective in terms of finally overcoming some of the initial technical issues that we experienced with the vendor of this program. Obviously, we have had over 13,000 applications and we are working through those as quickly as possible. This was a much more complex program as written. Some of those learnings, yes, were taken as the RRF was written so that we had some simplification in the process—

Mr. WILLIAMS. I hear you. I have got another question but it is going to be hard to tell those people that. Okay?

Now, thirdly, building off this last question, when we say that there has been zero money delivered to Save Our Stages, that is just talking about the first priority group. There are two more groups that will likely be waiting until July to receive any money at the rate we are currently moving. So additionally, we saw the RRF that the money ran out for the first priority group after they were able to apply.

So Administrator Guzman, can we expect to see the same numbers in the Save Our Stages Program with a great deal of businesses being left out of any assistance at all as we did with the Restaurant Revitalization Fund or should we just ask the lobbyists?

Ms. GUZMAN. We actually have applicants from all of those priority groups. You know, the 1:07:39xxx. We have about 4,000. We have another couple of thousand in the 70 percent and another 4,000 in the 25 percent. So we encourage everyone to apply. We do not anticipate that this money will run out.

Mr. WILLIAMS. They do apply but they cannot get the money.

Ms. GUZMAN. Correct. We are processing them as we go in those priority categories. However, based on the demand so far that we have seen, we do believe that we have enough funding.

Mr. WILLIAMS. Well, you need more people then, I guess, to help get it done.

Anyway, I think my time is up. Madam Chairman, I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from Georgia, Ms. Bourdeaux.

Ms. BOURDEAUX. Thank you, Chairwoman Velázquez, and Ranking Member Luetkemeyer. And thank you, Administrator Guzman, for joining us today and for reaching out to the many small businesses in my district and holding a forum here to help them as you rolled out the Restaurant Revitalization Program.

The Paycheck Protection Program, as you know, has provided millions of small businesses with a lifeline to keep their doors open and employees on the payroll over the past 14 months. But now that the PPP funds are virtually exhausted, we are hearing from more and more small business owners who will be seeking loan forgiveness in the coming months. Nearly 2 million 2020 PPP loan recipients have yet to apply for forgiveness, and I know that they are anxious to better understand how they can obtain this.

So I was just wondering how the SBA is working with lenders to reengage borrowers and ensure that they understand how to apply for loan forgiveness. And have you observed a difference in the speed or manner in which the large versus small PPP lenders have processed their borrowers' forgiveness applications?

Ms. GUZMAN. We are working closely with the lenders to just make sure that we have the systems in place to support the forgiveness applications that will be coming in. In addition, we are looking to be creative about how we can find innovative ways to streamline that process as we move forward into forgiveness, especially for, as I mentioned previously, the \$150,000 to \$2 million range that does not have the expedited process.

And what we have seen in the past is that it is all different sizes of forgiveness loans of the 60 percent that we processed so far from 2020 loans. And so we have not seen any specific trends. I think just overall, folks are looking for simplicity, looking for assistance, and we hope to continue to provide the outreach necessary to support them.

Ms. BOURDEAUX. Okay. Well, thank you.

One other question here. EIDL. About the EIDL program. It has provided over \$200 billion in relief to small businesses since last March but less than \$10 billion in new loans have been approved since February. And you mentioned in your testimony that the Small Business Administration still has about \$263 billion in loan program authority remaining.

Do you have information on the amount of unspent funds appropriated for the COVID-19 subsidies?

Ms. GUZMAN. Yes. And what we are doing on EIDL, obviously, I made that initial change increasing the limit from \$150,000 to \$500,000. We saw \$1.5 billion in demand come through from just that change alone. And as I committed, we will be increasing that to \$2 million, which is the true authority of the EIDL program so that we can continue to support businesses that need that assistance. There is \$263 billion in authority left and we will be focused on making sure that those businesses who are interested in it can access the program.

Ms. BOURDEAUX. Just to follow up, the \$263 billion in loan authority represents how much in the funds appropriated that are used to support that \$263 billion? How much remains of the funds appropriated in that program?

Ms. GUZMAN. I will have to follow up with you and get those specifics.

Ms. BOURDEAUX. Okay. We appreciate that.

And if the maximum loan amount is increased to \$2 million as you mentioned in your testimony, how much of those funds do you anticipate will be used?

Ms. GUZMAN. We are not sure yet of that demand as we roll out that program by July. We are hoping to finalize the technology to accommodate for those increases. We will start to get a better sense of those numbers and can share that with the Committee at that time.

Ms. BOURDEAUX. Okay. Thank you so much.

I yield back the balance of my time.

Chairwoman VELAZQUEZ. The gentlelady yields back. Now we recognize the gentleman from Pennsylvania, Mr. Meuser, for 5 minutes.

Mr. MEUSER. Thank you very much, Chairwoman. And thank you, Administrator, for being with us. And certainly, thanks to our Ranking Member Luetkemeyer.

So the PPP loans were quite successful. They were not perfect. They were a lifeline. We did a lot. It was a very holistic approach to assuring that they were as efficient, valid, purposeful as possible. Secretary Mnuchin and many Members and banks and small businesses. It was very inclusionary on how to get it right. It still is very important, of course, and I am hearing from many businesses as well as banks that there are problems with the forgiveness initiatives, primarily related to loans between \$150,000 and \$2 million and the loan forgiveness over \$2 million. I am not sure any have been forgiven as of yet. Now, we all understand that there is going to be an audit of the loans over \$2 million, but Administrator, is there a plan? Because currently, it is a problem for banks and businesses. We are not seeing a real process for forgiveness of loans in these categories.

Can you comment on that, please?

Ms. GUZMAN. For the over \$2 million loan categories, yes, there is a specific process. It is an individual review. Obviously, those were flagged for SBA loan review due to the amount. And there is a process that SBA is following to review those within the same partnership. And so I know that those, obviously, this is a huge task that the SBA is taking on and will increasingly do so as those payments come due. So we are hoping to try to come up with a streamline process as well for those \$150,000 to \$2 million bucket as well as you mentioned to make sure that those can be processed efficiently and give us the time and resources to be able to address those individual 1:14:36xxx.

Mr. MEUSER. Sure. Thank you.

Is it a priority? And will we see some sort of plan that will be put into effect?

Ms. GUZMAN. Yes, it is a priority. We are working on that currently. And so hopefully we can follow up soon with some specifics.

Mr. MEUSER. Great.

Administrator, Representative Stauber brought up the 20 percent business income deduction that occurred in the Tax Cuts and Jobs

Act. Many small businesses are concerned about the Biden administration's plans for tax increases.

Can you tell us what you think about the 20 percent removal from small businesses? And are you weighing in with the Biden administration on behalf of the millions of small businesses in our country to assure or do what you can to keep that deduction in place? Because that deduction, I think you know, was not a gift to the wealthy. It helped small businesses expand, get stronger, and hire more employees as we saw with a 3.5 unemployment rate.

Your thoughts on the 20 percent?

Ms. GUZMAN. Yeah. I mean, I closely collaborate with the Office of Advocacy as well. It has the economists that can do the research as well. Clearly, I am not a tax expert. That is not my forte. I am administering these programs on behalf of the Small Business Administration, relief for small businesses. So I continue to try to track those issues and report up our findings to the necessary channels.

Mr. MEUSER. It is a major interest and a factor for small businesses' growth, survival and just maintaining and working through the recovery. So I think the SBA administrator should be very much an advocate for the health of small business.

As well, you know, it came up before about capital gains. And that is very important. The idea that the Biden administration wants to raise capital gains from 20 percent to 43 percent does have a great effect. If a small business is looking for a partner and/or thinking about selling and retiring and passing the business along, that transfer has to take place. That is going to cost them 23 percent, which is \$23,000 per \$100,000. So it is not a trivial thing. It is very important.

The other thing I want to bring up, please, is the unemployment compensation. Ninety percent of my small businesses in my district are literally diametrically opposed to President Biden's comment that the additional supplement of unemployment compensation as the president said is not measurable for the level of workforce availability. And I will tell you this. I do weekly business calls with dozens of small businesses and virtually 100 percent say it is the number one issue, if not the number two issue that they face. A headwind that they face.

Can you comment on that? Do you believe that where some of this is being targeted in some states and, you know, it is going to by law continue to supplement through August. Again, as an advocate for small businesses, I would hope you would recognize that, be inclusionary, talk to the small businesses and get directly from them what their concerns are and work on their behalf.

Chairwoman VELAZQUEZ. The gentleman's time has expired.

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

Chairwoman VELAZQUEZ. Now we recognize the newest Member on the Committee, the gentleman from Louisiana, Mr. Carter. Welcome to the Committee.

Mr. CARTER. Thank you very much, Madam Chair. Thank you very much for your very warm and gracious welcome. I am honored to be a part of this Congress. Honored to be a part of this Committee. Ranking Member Luetkemeyer, good morning. Or good

afternoon I should say. Well, I guess it is still morning. Thank you all very much.

And Administrator Guzman, I would like to personally thank you. I know your job has been difficult. I feel the frustration of all of the Members here. I share their frustration, but I also recognize that you have a very difficult task. There is nothing in the playbook to address a worldwide pandemic, the pain that it has caused for many of the people throughout our country. Certainly in the Second Congressional District we are no different. So I applaud your efforts. I feel the frustration of my colleagues who expressed concerns about the availability of funds, the rapid nature of getting those funds, and the frustration that we hear from our businesspeople.

So at the risk of being redundant, I will try to not repeat questions that have been asked. But I will share that, as you know, I represent the Second Congressional District, which is Louisiana, home of the Historic French Quarter and our beautiful river parishes up and down the river from West Jefferson to West Baton Rouge Parish.

One of the issues that I hear repeatedly from small businesses is the ability to access PPP as rapidly as some of the larger companies that have access to lawyers and consultants and accountants. What plans, if any, do we have to address perhaps in the next round of resources to assist small businesses who oftentimes miss out because they do not have access to the resources of accountants and consultants to prepare paperwork?

Ms. GUZMAN. Yes. And obviously, once the Community Navigators Pilot Program is launched and those organizations are brought on board to fully help the SBA and communicating resources and supporting businesses through process of relief, that will obviously make a big difference. But I will submit that on the Restaurant Revitalization Fund Program, we were able to effectively, through partnerships, reach to all different size businesses, as well as from different communities and regions across the country. And so really, that is reflected in the application, the interest, the access. And I think what also was attractive was that we created a simple process. Leveraging technology, using partners such as Square and Toast and other point-of-sale vendors to help us access those restaurants who are underserved so that they can connect to the platform and apply for the program. So I think that there are some learning in our Restaurant Revitalization Fund in terms of how we do our outreach, how we are structuring our programs so that they are more customer friendly so that businesses of all sizes can access the program easily. And we will be applying those types of monies across our program as we move forward.

Mr. CARTER. And Madam Administrator, I have some thoughts that I would like to share with you and my staff will be preparing some documents to share with you some thoughts that I think may assist with kind of segregating those funds to make it easier for small businesses to access them.

One final question as my time runs out. AS you know, in Louisiana, we are just about 15 years past Katrina, one of the largest hurricanes and issues ever to hit, natural disasters that ever hit Louisiana for certain. Many of our small businesses are still suf-

fering and still paying back SBA loans from that situation and have since had other situations of similar magnitude, like COVID. What relief, if any, can we look forward to in the way of forgiveness of some of those Katrina-related SBA loans?

Ms. GUZMAN. We did provide that relief on all our programs. We have extended payments on any EIDL loans to 2022. But in terms of any forgiveness, we would be happy to collaborate with you, work with you to provide you any information that you need about our programs and we will implement any programs that Congress directs us.

Mr. CARTER. Very good. And finally, I would like to once again thank Representative and Chairman Velázquez for governing this meeting as smoothly as you have. And thank you, Administrator Guzman, for making yourself available. I yield back my time.

Chairwoman VELÁZQUEZ. The gentleman yields back. Now we recognize the gentlelady from New York, Ms. Tenney.

Ms. TENNEY. Thank you, Chairwoman Velázquez, and Ranking Member Luetkemeyer, for holding this meeting. And I want to say thank you to Administrator Guzman for being here. We know that working at SBA is not an easy job right now, especially in light of the pandemic. And I might add, thank you for being here. I am very disappointed that Secretary Yellen has not made the effort to be here. She did speak before Financial Services in the past and really needs to fulfill her legal obligation to be here. So hopefully, we will be hearing from her soon. And I am sure Chairwoman Velázquez and Ranking Member Luetkemeyer will make sure that happens.

But I wanted to just address the administrator. This is an issue that is really big in my region. Actually, it is across the country.

I am a small business owner. Our family business is celebrating our 75th year here. We almost did not think we were going to make it because of the pandemic last year. So many of the programs put out by SBA and the CARS Act have been vitally important to us.

But one of the big issues now facing every employer where I go, every business forum. It is the number one issue, is the enhanced unemployment insurance benefits extending through August and how that is putting a huge impact on their ability to attract and to get people to work and in some cases, their own employees back to work because the benefits are so strong.

What is your opinion on that? And do you think that we can in some way target that relief instead of having this blanket coverage where we are hurting even seasonal employees, seasonal businesses, agribusinesses in my community. You know, ag is number one in my region. What do you think we can do to try to minimize that impact on small business owners?

Ms. GUZMAN. From what I have heard from small businesses, it is the combination of factors, and definitely across the board, small businesses want help in making sure that their work is still safe as well to come back to work. And so that is why we have been emphasizing heavily the vaccination rates and by emphasizing the American Rescue Plan taxpayer, tax credit, rather, for small businesses to give time off to their employees to get that shot, as well as recover from it. Because we know that feeling safe in the work-

place is also a big factor. Also, just the vaccination rates would help with the care economy and with schools being reopened fully for the children to go back to work because I am also hearing that that is a huge factor for a lot of the employees of these businesses is that they not only potentially fear of COVID in the workplace but as well that problem with having no care for children at home. So I do believe that the Biden administration focus on fighting COVID is going to go a long way towards helping our small businesses access workforce.

Ms. TENNEY. Can I just reclaim my time for a second? I am not hearing that from small businesses. We have a fairly decent vaccination rate here, very low contraction rate, a low death rate in rural areas here. So my concern is many businesses either shut down entirely or invested a small fortune, which is a lot for businesses, tens of thousands of dollars into plexiglass, PPE, and other items to make it safe for employees to go back to work. We are not talking about our police officers, our firemen, our essential workers and all the other so-called essential. I think every worker is essential. But people who went back to work and are back working. We have to get our economy going. I am just concerned that if we do not have a more targeted approach, we are going to see a collapse in our economy and we are going to have a problem getting them back to work. Do you not think that that should be an issue that the Biden administration should be addressing with you as the key administrator, one that deals with small business? I mean, look, NFIB has said that almost 50 percent of businesses are specifically citing the enhanced unemployment as the reason that people are not coming back to work because they can wait it out until August. And we know that is partly true. I know a lot of people are working even though they might even be making less. Do you not think that is something the Biden administration should be doing to get our economy going again?

Ms. GUZMAN. I know that we are looking at all the tools. And obviously, that support in the economy, those additional funds have also propelled our economy and supported business revenue creation at the same time. So, you know, it is not my position at the SBA to judge in terms of the best economic decisions to make overall for the economy but I know that that has been a shot in the arm in the economy to have that stimulus check distributed across the country.

Ms. TENNEY. Right. But we are running out of stimulus checks.

Just one more thing. You said you are a small business owner. I mean, a lot of businesses are C corps. You know, our business has been around a long time. We are small. We are a C corp. We are hurt by taxes. I think if you are a business owner, I think you can safely say that taxes hurt all businesses, large and small, but are particularly harmful to small businesses. And in an area like mine, 94 percent of the jobs created in my region are from small businesses. So we do not deal with the large business problem. So these taxes are going to really hurt our community.

Ms. GUZMAN. As I mentioned earlier, this is really President Biden's focus on taxpayers over \$400,000 is really the priority focus, including the S corporation taxpayers. But all of the exceptions that are typically benefitting small businesses—the rent, cap-

ital gains, passive income—will continue to apply. And so the budget includes provisions really to close those loopholes I reference that allow larger corporate taxpayers with income over \$400,000 from avoiding paying certain taxes. And so that is really the focus as I reference earlier.

So I appreciate what you are hearing from the constituents. I hear a combination of, of course, that plus the COVID issues and the care economy issues and education. So I look forward to continuing to partner with you to help support our small businesses.

Ms. TENNEY. Thank you. I think my time is up. Thank you so much and I appreciate your testimony and for actually being here today. Thank you.

Chairwoman VELÁZQUEZ. The gentlelady's time has expired. Now we recognize the gentlelady from California, Ms. Chu.

Ms. CHU. Thank you, Madam Chair.

Administrator Guzman, since the start of the pandemic, I have been extremely concerned about the Trump administration's failure to collect demographic data on PPP recipients. It prevented us from understanding which types of businesses benefitted from the program at a time when so many were struggling. And that is why it was so significant that the Los Angeles Times had a recent investigation in which they reported an alarming finding that in L.A., businesses in majority White neighborhoods in the early days of the PPP loans received loans at twice the rate of majority Latino areas, 1.5 times the rate of majority Black areas, and 1.2 times the rate in Asian areas. So clearly there needs to be more help for underserved businesses. And one of the most important lessons of this past year is that community financial institutions can effectively reach businesses that are not served by traditional banks and they can do so at scale.

Now, I have long championed the Community Advantage Program which leverages nonprofit, mission-oriented lenders and have authored legislation to give the program long-term stability by authorizing it for 5 years. So how can we expand the role of CFIs, such as Community Advantage in the small business lending ecosystem so that we can support an equitable, long-term recovery?

Ms. GUZMAN. Well, one of the silver linings of the pandemic has been SBA's increased network of lenders that have been accessing the PPP program. And we hope to continue to partner with them, including those mission lenders, CDFIs and CDCs and others to make sure that we are supporting small businesses that are underserved because the data is stark in terms of access to these programs and the U.S. Chamber had a similar study which showed that Black businesses were unable to access capital at the same rate. Half the rate actually of White businesses. And so we continue to see that in the data and so the SBA is working hard to try to find a solution to partner with institutions that are serving these constituents as well as all of our traditional banking partners to better support through SBA programs capital access for these constituents.

Ms. CHU. Thank you for that.

Administrator Guzman, I wanted to ask about another issue which is the Shuttered Venue Grant Operator Program. I am proud to operate Southern California and the countless live venues, such

as the Troubadour and the movie theaters that make our region so special. They were the first businesses to close and will be the last to reopen. And that is why the Shuttered Venue Program includes this supplemental phase for businesses still experiencing deep losses in the first quarter of 2021, like so many of the live venues in L.A. County. But because of the program delays, SBA already actually has the necessary data from the applicants to calculate both the initial loans and the supplemental loans right now. So given the delayed implementation of this program, can you discuss if SBA can help these businesses by automatically calculating and processing the supplemental grant awards to expedite disbursement of these funds? And are there tools that Congress can provide to help you do this?

Ms. GUZMAN. Yeah. I mentioned before that the Shuttered Venues Operator Grant Program was a complex statute that we were implementing and the program design dictated by statute obviously had lots of control for eligibility requirements. There were so many different types of entities that were eligible with very unique requirements under each. And we worked very closely with our vendor and cross agencies to make sure that we were leveraging technology to the fullest and simplifying processes. And we are continually working through some of those issues to see how we can expedite as we go through in processing taxes and other issues. And so while the program has been delayed, I feel confident that we will start to roll out these funds as we have been doing this week and we appreciate the patience from the industry. Obviously, they do not have time to wait. Their rent is due and other expenses are critical for them so we are working and take this program very seriously in implanting it as quickly as possible. And so we look forward to any further input that you have specifically with certain venues and how we can improve the experience.

Ms. CHU. Thank you. I yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Now we recognize the gentleman from New York, Mr. Garbarino.

Mr. GARBARINO. Thank you, Chairwoman. And thank you to the Ranking Member for doing this. And Administrator, we appreciate you being here. I want to echo my colleagues' disappointment in Secretary Yellen's absence today.

But I have a question. I have been in Congress as a new Member for a only a little under 5 months now. And prior to being in Congress, with my law practice and being in the State Assembly in New York, I dealt with SBA, the local offices, and they were very good in answering questions when I dealt with them. But my time now, and I have heard this from other Members as well, a lot of questions to your office have gone unanswered or been very delayed if they get an answer. Can you explain what is behind this underwhelming response? And if we cannot receive a response directly from you and your team, what recommendations do you have for us to get answers to the questions that we have? It seems like the communication right now between the SBA and Members of Congress is very bad. We would like to have something done in a timely manner. How can you help us with this?

Ms. GUZMAN. Yes. And SBA is working to increase communication. It has increased dramatically in the Biden-Harris administra-

tion. And so just to confirm, as I said, we have had hundreds of briefings. We send out regular reports. And we continue to try to respond to all of these letters as quickly as possible. Understanding, of course, that these requests require career staff time as well as just sometimes days to pull these reports and that is disruptive to the process. Obviously, we are highly impacted by the scale that we have had to reach in order to serve small businesses which remains a priority and we will continue to try to get through all of your requests as quickly as possible. So we appreciate your patience.

Mr. GARBARINO. I understand that. And I know you try to talk with small businesses, but a lot of small businesses contact us when they have problems with the SBA, so we send questions over. I spoke to the previous administrator, Ms. McMahon, and she told several of us that she prioritized responses to Members of Congress where she got back within several days. Is that something that we can count on your office for, that when a request comes in, when a question comes in from a Member of Congress that we can expect a response from your office within a matter of days?

Ms. GUZMAN. Yes. And unfortunately, during a disaster it is a little bit of a different situation because we are so impacted by all these programs, unlike under Administrator McMahon. However, yes, it is a priority. My team knows it is a priority.

Mr. GARBARINO. I think we had COVID all last year.

Ms. GUZMAN. What we have tried to do in the programs is, as I mentioned before, is open up access to some of those portals, to our field operations as well. And we are also in touch with our local field office as they can also help navigate some of these specific issues. But yes, constituent requests, those customer requests, we are trying to open up and access more of our team Members to be able to answer questions like this. And so, yes, we will continue to try to work with you to speed that up. I do want to make sure that we will reach out to you and make sure your staff is in contact with our field office who has this expanded now access into our portals to be able to understand where loans are in the process.

Mr. GARBARINO. I appreciate that. Thank you.

And I have another question. Dealing back with the EIDL program and fraud, the fraud is extremely concerning, the amount of fraud. We know that the SBA's Shuttered Venues Grant Program was flagged by serious problems in the beginning. It seems that new reports come out monthly on these programs. In your response to these reports, we know the SBA plans to inquire and implement many of the recommendations that it gets from the SBA Inspector General, that it gets from the Government Accountability Office regarding these relief programs. Out of these recommendations that you have received from the SBA Inspector General and the Government Accountability Office, how many recommendations have you gotten and how many have you closed out? Which means how many have you implemented of those recommendations?

Ms. GUZMAN. A lot of the requests, too, in a lot of the reports that we are seeing now are unfortunately assessing the portfolio pre in 2020. And so a lot of the controls were put in place post in 2021. And so, unfortunately, that is not reflected in a lot of the current reports. But we are working to close out as many of the IG

and GAO reports as possible across the board and my teams are——

Mr. GARBARINO. Okay. I only have a few seconds. How many have you closed out, your team, to date? I believe you have had 32 recommendations. But how many have you closed to date and how many are open?

Ms. GUZMAN. We will follow up with you to give you that exact number.

Mr. GARBARINO. Okay. Thank you. I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Pennsylvania, Mr. Evans, for 5 minutes.

Mr. EVANS. Thank you, Madam Chair.

Madam Administrator, many small businesses in my district, especially minority-owned businesses are in desperate need of technical assistance. In your testimony, you mentioned that the American Jobs Plan will provide SBA the ability to create a national network of small business innovators and innovative hubs and technical assistance partners to ensure women, inventions, and rural businesses basically receive what they need. Could you please elaborate on this proposal and how it would work and the current resources?

Ms. GUZMAN. Yeah. Obviously, the SBA has resource partners, our Small Business Development Centers, our Women's Business Centers who have expanded recently, including through HBCUs, as well as SCORE. And so with those resource partners, they play a critical role in helping us reach small businesses. But with the Community Navigator Pilot Program, we are going to be able to partner more extensively and resource partners are eligible to apply for that as well, of course. But the point of that is to create a hub and spoke model where there is an essential source of information and a network of more local navigators who can help small businesses connect to resources and help them understand the process, application process, et cetera. And so with that program, we hope to fund national as well as regional and local organizations to create that system of disbursing information about these programs as quickly as possible so that businesses that have traditionally been underserved will be able to access those relief programs.

Mr. EVANS. So how would you say you think it is proceeding at this point?

Ms. GUZMAN. We have just released the Notice of Funding Opportunity yesterday, and so we know that we have done extensive outreach with organizations across the country to make sure that they were ready to apply through the grant portal process and hopefully serve our small businesses through this system. And that includes diverse organizations and organizations across our regions that are underserved.

Mr. EVANS. Madam Administrator, I thank you for your leadership and your organization, what they are doing. And I think the technical assistance is probably of utmost importance. Obviously, resources are important, but the technical assistance I believe is very important as a priority. Again, I thank you for your leadership.

I yield back, Madam Chair.

Chairwoman VELAZQUEZ. The gentleman yields back.

And now we recognize Ms. Young Kim from California for 5 minutes.

Ms. YOUNG KIM. Thank you, Chairwoman.

I want to thank Administrator Guzman for joining us virtually, though I must say that I share Chair and Ranking Member and my colleagues' frustration, and I am also disappointed Secretary Yellen is not testifying today to discuss how Treasury is assessing the impact on a possible increase in taxes on small businesses.

As one of the Members of Congress who helped craft the bipartisan PPP Extension Act, I wanted to follow up on some of the recent funding numbers that the SBA has been reporting and the decision to close the border. Let's acknowledge that the PPP application window will remain open for CFI lenders, so what specific steps did you take to alert all other lenders that the portal was going to close a few weeks back? And did you provide advanced notice to the lenders? If so, how many days or weeks in advance did you provide?

Ms. GUZMAN. We continue to communicate with the lenders through our portal. That is how we communicate with them regularly in terms of where we are at in the system. Obviously, all the lenders have been tracking closely the remaining funds as we have been walking through this program and reaching the end. So I do not believe it should have come as a complete surprise to many and we informed them in advance that we were——

Ms. YOUNG KIM. All right. Let me reclaim my time.

As a follow-up then, what should lenders do if they have an application with an unknown status?

Ms. GUZMAN. If there are any lenders with hold codes in the system, we are working through those still. Those funds remain for those lending institutions and their ability to process them remains open. And they have not been shut out from the system. If it is for new loans, obviously, they can work through CFIs, whether it is NDIs or CDCs or CFIs, the partner, and make sure that those new applicants get through.

Ms. YOUNG KIM. Thank you.

The PPP Extension Act also extended application deadlines to the end of this month but it also gave SBA extra authority days to work through all error code issues for loans currently in the pipeline. So can you please provide us with a detailed response on how you envision the SBA using this 30-day period after the application window closes? So will all eligible applications that clear their error codes be able to proceed?

Ms. GUZMAN. I am willing to work with all the lending institutions that still intend to move forward on any of their held applications to get them to completion. And so those extra 30 days will be helpful. There is a process in place for SBA to coordinate with the lenders to make sure that any information is cleared. That the borrower is informed through the lender of any requests for further information to release any of these holds.

Ms. YOUNG KIM. Okay. Thank you.

Well, next question. How are the SBA's entrepreneur development programs like SBDC, WBC, VBOC, SCORE, administered to avoid duplication and prevent fraud?

Ms. GUZMAN. Across all of our grant programs, obviously, we take fraud seriously as well. Our SCORE partners, as well as our SBDCs, WBCs, have very strict—and VBOC, have very strict reporting requirements to the agency and we follow through with audits across the board as well.

Ms. YOUNG KIM. Well, let me ask one last question here.

Are there any current efforts to consolidate programs and resources to make it easier for small businesses to access resources in a one stop shop? Additionally, what efforts are you taking to combat fraud and protect taxpayer dollars?

Ms. GUZMAN. Across our resource partners, obviously, they are all engaged in local ecosystem building to try to support, along with our field offices, small businesses and the support that they need. And so we believe that it a cooperative approach is most valuable to us and so we make sure that all of our departments are collaborating with these resource partners and have open communication to make sure that they are positioned well to support small businesses. And our field offices are really critical in bringing them all together. And that will apply towards the Community Navigator Pilot Program as well. We see that all these resources partners have been inundated during COVID and have been contacted by many new businesses for support and we hope that that engagement will continue as we move forward. In terms of fraud control or prevention of any misuse of those programs, again, our grants program management is positioned with processes to make sure that funds are used in how we intended them to be used to support small businesses with technical assistance.

Ms. YOUNG KIM. Thank you. I see that my time is up. I yield back. Thank you.

Chairwoman VELÁZQUEZ. Time has expired.

Now we recognize the gentlelady from Pennsylvania, Ms. Houlahan, for 5 minutes.

Ms. HOULAHAN. Thank you, Madam Chair. And thank you all for being here.

I have several questions, and my first one has to do with PPP loans and the forgiveness process. Through a bill that I introduced and that was signed into law as part of the Economic Aid this past December, SBA is now able to provide small businesses that received a loan of \$150,000 or less with a streamline forgiveness process using the 3508S Forgiveness form. This was really a welcomed change for small businesses and lenders to be able to streamline the forgiveness process and to make it easier for our smallest businesses to get that relief. However, based on data that was released by the SBA, there still are a substantial number of borrowers who have not yet submitted, nor have been approved for forgiveness. And I have heard suggestions from advocates lately that simplifying the forgiveness application and associated requirements for all PPP loans between \$150,000 and \$2 million would further allow a more streamlined process. And it has also been raised that additional resources may be needed to help the SBA expedite reviews for PPP loans greater than \$2 million. So as the

agency is beginning to move forward and move their focus from the origination phase to the forgiveness phase, what kind of considerations are being made by you all to ensure that there is an efficient forgiveness process? Do you also feel that raising the current cap on PPP loans eligible for streamline forgiveness from \$150,000 to \$2 million would help you better serve our businesses?

Ms. GUZMAN. Thank you for that. We are looking at best practices in that \$150,000 and under range because clearly that simplicity is beneficial to our small businesses applying. We do want to apply similar type streamlined processes for the \$150,000 to \$2 million and are exploring our options currently. And so we welcome a partnership in trying to circle back with you once we have more specifics to recommend. Obviously, we are talking to lenders who have been implementing PPP to understand what they are seeing and what they are hearing in terms of why borrowers are not pursuing forgiveness at this time but we know that that cliff is coming with payments due and want to make sure that we move forward to create a system that they will access more readily.

Ms. HOULAHAN. My apologies for my dogs in the background. Thank you, and I look forward to working with you on that as well.

My next question has to do with concerns that constituents in my community have been raising with me related to—and I recognize you are facing unique challenges with the pandemic. But with your agency being asked to distribute federal assistance to small businesses, we are definitely hearing a lot more about customer service and the needs to have a more effective customer service. What recommendations do you have to improve the customer experience for those of us in our communities who are seeking assistance from SBA?

Ms. GUZMAN. Some measures we have put into place but I have asked my staff to be as entrepreneurial as the small businesses that we serve. And obviously, be providing strong customer support and service is really critical for small businesses as they seek revenues every single day. And so we have tried to take that approach. With our small businesses, they obviously need information easily accessible as well as in simple terms. And so we have really been partnering externally with many organizations to better reach small businesses with authentic voices, people who can help them navigate and translate government to better support their needs. In addition, we have equipped our field with more information and direct access to our programs so that they can better support our small businesses and turn around these requests. Obviously, SBA has been inundated but we are working to try to find better ways with technology as well to streamline processes, including support to give small businesses answers and resources that they need ASAP.

Ms. HOULAHAN. And I would look forward to working with you as well on that. It definitely is a trend, and I understand the volume that you are realizing right now with PPP and EIDL and a number of other large programs that you are implementing, some more successfully than others. But if there is anything that our office or this Committee can be doing to help you as you work

through what best practices are on customer service, I would welcome that as well.

I only have a half a minute left so I guess I would ask how we can be better supporting you on issues of fraud as well. If there is 20 seconds worth of ideas that you might have that we can help on the fraud area, that would be a welcomed last couple of seconds.

Ms. GUZMAN. SBA is continuing to use resources. We have obviously scaled up on customer service, as well as our fraud teams. And so that support, that financial support for extra administrative funds has been helpful for that. So that continued support will be important going forward.

Ms. HOULAHAN. Thank you. I have run out of time and I yield back, Madam Chair.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now we recognize the gentlelady from Texas, Ms. Van Duyne for 5 minutes.

Ms. VAN DUYNE. Thank you very much, Chairwoman Velázquez. I very much appreciate the fact that you have called upon and recognized the importance of getting Secretary Yellen here to answer some of these most basic questions, and I hope that we will continue to push her and make sure that she does have an opportunity to speak directly to our Committee. Thank you, Administrator Guzman, for being here today.

You have been unable to answer, or unprepared to answer a lot of the questions that have been proposed and posed to you by my colleagues, specifically those proposed impacts of the current administration. The impacts of increasing the minimum wage. Are you familiar that NFIB has found that 92 percent of small business owners felt the wage mandate would harm their businesses?

Ms. GUZMAN. You know, I am familiar. I know as well though that there are other studies that show that there are other factors that are impacting the workforce and small businesses' ability to hire.

Ms. VAN DUYNE. Oh, without a doubt. I mean, including the enhanced unemployment benefits. I was surprised when you said that you had not heard that so much. That what you had heard from small business owners was their questioning of coming back in a safe environment I think. Congresswoman Tenney was very clear that they have purchased and invested a lot of money into ways of making sure that they are coming back in a safe environment. So not being very clear about the enhanced unemployment benefits and the effects that that is having on small businesses, the increase on capital gains and the effects that that will have on small businesses you have been unable to answer. And quite frankly, not having any information about what the increase in the corporate tax rate would have on small businesses. Not just on the direct costs but on the indirect costs. For example, increases in utility rates.

Administrator Guzman, you are charged with running the Small Business Administration that was created to aid, counsel, assist, and protect small businesses. And yet, you are not aware of many of the proposed increases and tax consequences that will directly affect small businesses that are coming out of this administration. I guess my question is, if you are not aware of the effects and the

impacts of these policies that are coming down from the Biden administration, who is advising the administration for small businesses?

Ms. GUZMAN. Well, I mean, I know that, as we have discussed this before, I have said President Biden's plan is really focused on closing those loopholes for the larger corporations. And I will—

Ms. VAN DUYNE. I yield back my time. I disagree. It is not just, it may be focused but they are increasing the corporate tax rate. When asked will that affect small businesses, what was your answer?

Ms. GUZMAN. Only a very small percentage of small businesses are C corporations. We talked about that previously.

Ms. VAN DUYNE. No, regardless of whether or not they are C corporations, will increased corporate tax rate affect small businesses?

Ms. GUZMAN. Again, I mean, Biden's plan is focused on those who have earnings over \$400,000—

Ms. VAN DUYNE. And I—

Ms. GUZMAN.—so yes, there will be small businesses that are included in that.

Ms. VAN DUYNE. And—

Chairwoman VELAZQUEZ. Will the gentlelady please allow the witness to answer the questions?

Ms. VAN DUYNE. If she answers the questions I would really appreciate it.

Ms. GUZMAN. Look, I mean, the bottom line is that, you know, there are important provisions, President Biden has pledged to not only—to not increase taxes on taxpayers earning less than \$400,000. And, you know, including S corporation taxpayers. All of the exceptions as I said—

Ms. VAN DUYNE. I would really appreciate it if you would answer the question.

What would be the impact, and I know it is not the focus, but there will be direct and indirect impacts on increasing our corporate tax rate, correct, on small businesses?

Ms. GUZMAN. Not on the smallest businesses. And so, again, we are—

Ms. VAN DUYNE. On small businesses defined by your administration and by your department. I mean, things like increases in utility taxes and utility costs, those will be felt by small businesses; correct?

Ms. GUZMAN. Small business, yes. Small businesses will, you know, will continue to have to navigate the systems in place and any increases that vendors might transfer to them. But, you know, again, the focus on this tax reform is really to ensure that those smallest—there is a level playing field for the smaller entities. I appreciate that SBA supports all small businesses. You know, it could be as large as 500 employees.

Ms. VAN DUYNE. I reclaim my time. I have 20 seconds left. It is obvious that small businesses that you are speaking with are not telling you what the rest of us across the country are hearing. I would welcome you, I would invite you to come down to Texas 24 in Dallas-Fort Worth and speak with the small businesses that we are talking to that will tell you what the problems are directly so

that you can be more prepared and maybe then, when you are more prepared, we have heard directly from small businesses, you can circle back with this Committee and let us know what you are doing to be able to really prepare and protect our small businesses across the country as these Biden administration policies are coming down.

I yield back my time. Thank you very much.

Chairwoman VELAZQUEZ. The gentlelady yields back.

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

Let me just react to this line of questioning. First of all, the topic of this hearing is an examination of SBA COVID relief programs and the administrator is prepared to answer the questions related to the implementation of those programs. There will be a time for us to hold a hearing on any tax policies but this is not the space. I think the taxpayers deserve answers from the administrator as it relates to those programs that have been implemented by the current administration. Now Mr. Kim—

Mr. LUETKEMEYER. Madam Chair, I am claiming some time in response to your comments there. Those tax questions are fair questions because we are talking about the COVID activities and policies of this administration of the SBA. And tax policy on those new programs is very important to have a basic understanding of the tax policies' effect on small businesses will help us understand how these COVID policies, these programs can be helpful. If we find out that there are more detrimental effects from the tax policy, we need to understand how that can affect the COVID policies, the COVID programs. They are very appropriate. It is unfortunate the administrator is unprepared today to answer basic questions about the administration's program. She is not representing the Small Business Administration at the table when the administration is talking about tax policy which is extremely alarming because if she is not there, who is? We need to have answers because all of this factors into how we address the COVID problem in this country.

Chairwoman VELAZQUEZ. I just wish that you were so forceful when we were conducting oversight hearings with the previous administration as it related to the fact that ineligible businesses were able to get assistance—relief assistance that they did not qualify for. With that, Mr. Kim—

Mr. LUETKEMEYER. Madam Chair, we were. We were at the table. We contacted Secretary Mnuchin and said, hey, we have got a problem. And immediately, he took action. If you recall, he got in the middle of this and rescinded about \$280 million worth of loans to people, to businesses that were ineligible. Yes, we were active on this and will continue to be active, I can assure you.

Chairwoman VELAZQUEZ. We will continue to be active on tax policies and we will have Secretary Yellen at the table. We will discuss those issues. To be fair to the witness, the topic today is related to COVID-19 programs.

Mr. Kim, now you are recognized for 5 minutes.

Mr. KIM. Thank you, Chairwoman. And Administrator Guzman. Thank you for taking some time to be able to come before our Committee.

I have been on this Committee since my time in Congress, and we certainly are trying to maintain the tradition of bipartisanship

on this Committee. This recognition that both parties are trying to do what they can to be able to support our small businesses, that is the reason why I wanted to stay on this Committee because I felt like it was one of the few places in the last Congress where we were able to talk with each other civilly, with respect, and talk through a shared problem that we face with small businesses going through some of the toughest challenges in modern history. And I know you have a lot on your plate and SBA has been working hard to be able to do this. Some places where it has not performed the way that I would like but other places where I understand that it has been a tough go.

And one place that I want to just kind of hone in on is about the Restaurant Revitalization Fund. Now, I know that this has been moving forward, that you have been trying to take on some lessons learned from the launch of the Shuttered Venues Operators Grant Program as well, and I know that the application is something that has been tried to be simplified and easy to use so that restaurants are able to move forward with this. And especially when it comes to making the program accessible for the smallest independent restaurants and the socially disadvantaged business owners.

I am also aware that the SBA had to work within the rules set by Congress, including how the funding amounts are calculated so you did not have a lot of discretion to spread around the \$28.6 billion that we knew would not even come close to meeting the demand.

Still, I am very concerned to hear from businesses in my district, including socially disadvantaged businesses that are supposed to be prioritized, that their applications have been rejected without being provided a reason or an opportunity to correct errors. I worry that many of the most vulnerable businesses that we are trying to help are being left out and that minor errors could mean that a business eligible for a very significant amount of money gets nothing while the next applicant in line gets the full amount.

So I just want to ask, can you please explain how SBA is handling applications with minor errors or insufficient documentation? And will rejected applications ever be told the reason, especially in the event that Congress provides more funding for the program and they may have an opportunity to reapply?

Ms. GUZMAN. Thank you. I think the challenges with first in, first out programs is just that. And so obviously, businesses were allowed to get back in line and reapply. But that is obviously depending on the level of challenges in their application. I do not have specifics. We would have to review specific cases directly in terms of why individuals were rejected from the program. But I am happy to put you in touch, your team in touch with my team to make sure that we can work through those specific issues. But SBA will be developing processes for businesses, assuming that there are additional funds put in place for businesses to reapply in the future.

Mr. KIM. I appreciate your willingness to help out but what I just want to emphasize again, if you can kind of take it back to your team is about just that feedback. When the businesses do not know what it is that has gone wrong, why it is that they are not being accepted, you know, we hear that kind of breakdown there

in the communication, we hear that also with the PPP, for instance. I know you addressed this to a point but I have also heard from these panicked business owners waiting for PPP loans when they receive a notice that SBA will remove all loans not approved and further research status from their original platform by 5:00 p.m. on May 17. You know, that is something that they receive that notice, they get very panicked about it, and we are told before that no applications were purged. I get it. But when we are looking at this, you know, Congress has approved more than \$800 billion for the PPP program which has funded more than 11.6 million loans, the program has become a crucial lifeline for small businesses but what we are trying to figure out is how is SBA addressing the confusing caused by that notice? And how are we working to resolve these remaining hold codes, complete all pending applications, and utilize the remaining amount before June 30? So this is just something that I am continuing to hear is a problem.

Ms. GUZMAN. Yeah. And we definitely noticed the banks so that they could take action as all of those hold codes were a minimum over 30 days. In some cases, over 90 days. And so they needed to take action on those loans. Again, we did not remove them from the system in any way and so they can continue to work through those issues with the SBA if those were actual pending loans that they intended to take action on.

So, I definitely appreciate that we need to have more communication. That is a goal as we continue to look for improvements in the program. And so I will take it back with my team and see how we can improve that transparency as we move forward without—

Mr. KIM. Just letting them know what they need to do to resolve it. That is what it comes down to. I yield back.

Chairwoman VELAZQUEZ. Time has expired.

Now we recognize the gentleman from Florida, Mr. Donalds.

Mr. DONALDS. Thank you, Chairwoman, Ranking Member, for this actually quite lively Committee.

You know, first of all, Administrator Guzman, I will tell you, you know, I have been coached on kids. I always tell them the number one ability is availability, so I want to thank you for making yourself available. It is unfortunate that Secretary Yellen does not know that the best ability is availability and so she needs to be here to answer these questions.

I will tell you, Administrator, I mean, I get it why you cannot frankly keep the 100 with the American people about President Biden's tax policies and other economic policies because you would be in trouble with your boss. So I understand why you cannot be 100 about those things. But what most people do not know is that my career was actually as a bank underwriter, as a credit loan underwriter for many years, so I underwrote small business loans. And I will tell you, 100 percent that increases in the corporate tax rate, increases in the capital gains rate are going to affect small businesses whether you are a C corp or a pass-through S corp, simply because that is what happens with increased taxes. Either it is going to hurt them directly on their bottom line. It is going to hurt the people that they do business with. It is going to impact them as well. So just for the record, as somebody who has actually been a lender that has dealt with SBA from the front lines, I will

tell you point blank, increased tax policy is going to hurt small businesses across the United States.

That being said, I know that in the last spending bill that was passed in Congress, there was a change to PPP which expanded the ability for nonprofits, specifically large nonprofits to access PPP loans. One of the concerns by myself and other Members of the Committee was that nonprofits like Planned Parenthood and their affiliates will be able to gain access to the PPP program. As to this point, has any nonprofit like Planned Parenthood or their affiliates received PPP loans?

Ms. GUZMAN. It is SBA's longstanding policy not to comment on specific borrowers. But yes, there have been over 80,000 nonprofits who have accessed the system.

Mr. DONALDS. Is there ability for this Committee to get an understanding of what nonprofits have gained access? Can you provide that to us?

Ms. GUZMAN. We have provided specific reports of all the loans, and so that information is readily available to you if you were to search through the system. Yes.

Mr. DONALDS. All right. We will make sure we definitely look into that.

Real quick, I want to piggyback on something that the Ranking Member was talking about in the EIDL program. You said that it is really not something that frontline lenders want to do is get involved in the EIDL program. It is not really in their incentive base to do so. Have you guys actually itemized or estimated the amount of total fraud in the EIDL program to this point?

Ms. GUZMAN. There have been estimates from the IG and we are still working through. I mean, as an example—

Mr. DONALDS. I mean, but real quick because I have got 2 minutes. So what is that number? What is that number? Can you tell us?

Ms. GUZMAN. As an example, on identify theft it is less than 1 percent of actual cases. But we continue to work through all those flagged issues with the IG and—

Mr. DONALDS. I mean, but how much money are we talking about? Give me dollars. Dollars and cents. I like percentages, too, but dollars and cents, how much are we talking about?

Ms. GUZMAN. We do not have final numbers in terms of the total fraud picture yet as we continue to investigate.

Mr. DONALDS. Let me ask you this question. Do you think it would probably be cheaper for the United States taxpayers to incentivize lending institutions who administer EIDL as opposed to paying out money in fraudulent means?

Ms. GUZMAN. We would have to work through that together so I welcome—

Mr. DONALDS. Quick question. I mean, you are the administrator now. Do you not think that is a worthwhile calculation to perform?

Ms. GUZMAN. Yes. Once we get the final calculation of what the actual fraud is on the program, especially knowing that we have implemented new controls going forward that were not allowed in previous years then, of course, we can look at that trend.

Mr. DONALDS. All right. Real quick. The last thing I really want to ask you about is it has also been a point in this Committee that under Administrator McMahon the response time from SBA was actually very, very prompt even though they have new information. You are the administrator now, so quick, what changed? Why have we gone from quick response times to very slow or non-existent response times?

Ms. GUZMAN. I do not know what Administrator Carranza's response times were during the disaster but obviously, the team is highly impacted in terms of their ability to respond as quickly as possible. We have—

Mr. DONALDS. But Administrator, the pandemic was last year, too, and the pandemic is ending this year so I am trying to understand what is the difference in response time between last year and this year?

Ms. GUZMAN. My understanding is that the comparison between the previous administration and Administrator Carranza who was in position during COVID versus my time here that we have been very transparent. We have tried to respond as quickly as possible and by expediting these briefings, life briefings as well as reports that we have been sharing with you that that has in addition provided you with more information than in the previous times.

Mr. DONALDS. I yield back.

Chairwoman VELÁZQUEZ.—expired.

Now we recognize the gentlelady from Minnesota, Ms. Craig.

Ms. CRAIG. Thank you so much, Chairwoman Velázquez. Thank you for being here, Administrator Guzman. For the record, I think you are exactly the right person to be testifying as a witness in front of us today about the SBA's COVID relief programs since you are the administrator of the Small Business Administration. So I want to thank you and everyone at the SBA, and I would like to thank those who worked in the previous administration, with the Small Business Administration, because it is all of your hard work over the last year obviously in implementing the various, mostly bipartisan programs that this Committee approved in the last Congress. It was an extraordinary challenge during a public health crisis. And at the end of the day, we are here to make sure that as many of our small businesses as possible can get through this crisis. And of course, we are going to learn as we go in a public health emergency. So shame on anybody here today who would turn this into a partisan exercise.

I especially want to commend the administrator on the creation and implementation of the Restaurant Revitalization Fund. In fact, I would like to thank my colleagues from across the aisle for those of you who supported that. I have been a proud advocate of this program since the Restaurants Act was introduced in the last Congress and I was incredibly pleased to see this get across the finish line when it was included in the American Rescue Plan.

Just last week, I heard from one of my constituents, the owner of Tawakal Restaurant located in the great city of Burnsville, who told me that they have already received financial assistance from the RRF. I am pleased to see that these vital funds being disbursed to our hardest hit small businesses are going out so quickly to

some. However, you know there is another side of this. In terms of the RRF applicants, such as Nick's Diner in Cannon Falls, I am really disappointed to learn that the likelihood of that independent restaurant receiving assistance is incredibly small. As some of my colleagues before me have mentioned, the RRF does not currently have enough money to assist many of its applicants. That is why I am working on leading a group of my colleagues and pushing House leadership to replenish the program to fulfill current demand or as many of those independent restaurants who have taken the brunt of this public health crisis. Literally, our government asked them to shut down during a public health crisis. We need to work together to uphold our ongoing commitment and replenish this fund.

Administrator Guzman, you noted in your testimony that the RRF program has received more than 362,000 applications with a total of \$75 billion in funding requested. At the current funding level, is there a possibility a large number of those applicants could miss out on receiving any of those grant dollars?

Ms. GUZMAN. Yes. There will be significant demand unmet at the close of this program once awards are finalized.

Ms. CRAIG. Administrator, is there any estimate or prediction on how many of those applicants are not going to receive any of those grant dollars at this time?

Ms. GUZMAN. Not the specific numbers that they work through the specific applications and the dollar amounts for each. Obviously, we had the \$9.5 billion in set-asides for the smaller entities but the latest numbers are over \$76 billion in applied, and with only \$28.6 billion available there will be a significant number of those 372,000 applicants.

Ms. CRAIG. Administrator, do you think that Congress should strongly consider replenishing this program?

Ms. GUZMAN. The program has been effective at reaching out to support small businesses, restaurants, food and beverage businesses broadly. There is obviously a large pool of applicants who are interested in this grant funding, and these are the hardest hit industries that are big job creators in our economy. And so providing that support to them is really critical. And whatever Congress moves forward with we would be more than willing to implement as expediently as possible.

Ms. CRAIG. Thank you so much for that answer. And from that I am going to assume your answer is yes. Are you open to working with this Committee and leadership to explore replenishing the RRF?

Ms. GUZMAN. We would be happy to collaborate and provide any information and intel that can better inform that decision. Yes.

Ms. CRAIG. Thank you so much. And I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Again, Administrator Guzman, thank you so much for joining us today. We appreciate your testimony and your service to our nation's small businesses. I am also grateful for SBA's responsiveness. The increased level of transparency and receptiveness for information has not gone unnoticed. I commend you for being more forthcoming with this Committee.

With that said, you have taken over the helm of SBA at one of the most critical times in its history and the road to recovery will be a long and winding one for small businesses. Your testimony has also given us much to think about and we will continue to look at the obstacles that small business relief programs face. It is important to remember that no program is perfect and we must help them operate as effectively as possible. This hearing has made clear that there is much work to be done and I look forward to partnering with you on all of these efforts. I welcome your continued engagement, particularly as we look to reauthorize the SBIR/STTR programs.

I would 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 to come before the Committee, we are adjourned. Thank you all.

[Whereupon, at 12:17 p.m., the Committee was adjourned.]

A P P E N D I X

**Congressional testimony prepared for SBA Administrator Isabel Guzman
U.S. House of Representatives Committee on Small Business
Wednesday, May 26, 2021**

Good morning, Chairwoman Velazquez, Ranking Member Luetkemeyer, and members of the committee. Thank you for the invitation to be here and for the opportunity to discuss SBA's programs and response to the COVID pandemic.

When I appeared in the Senate as a nominee not so long ago, I mentioned how this unprecedented crisis for our nation's 30 million small businesses and innovative startups had created a sense of urgency to work harder, think more creatively and build more collaboration to meet the desperate need presented by this moment.

In my first 100 days as SBA Administrator, I can tell you that feeling – the constant drive to do one more thing to step up for our entrepreneurs – has only intensified. I'm extremely lucky to be supported by an amazing SBA team that is also mission-driven – and is working around the clock to deliver the relief our small businesses need to get through this disaster.

We're making significant progress – particularly in our efforts to reach small businesses owned by women and people of color, who, because of long-standing barriers to capital, markets and networks have suffered disproportionately from this pandemic.

We're seeing the impact. The latest economic reports show that small business jobs have begun to rebound, and proprietors' income levels have begun to recover. And, we're hearing from the small businesses we serve that our traditional services as well as our policy changes and newest recovery programs, funded because of the American Rescue Plan, are offering vital lifelines to help them recover and build back stronger.

We recently launched the \$28.6 billion Restaurant Revitalization Fund (RRF). In the month before the program went live, we conducted more than 1,100 stakeholder events – with close to 100 of those events held in multiple languages -- to ensure the process would be streamlined and accessible for our hardest-hit food and beverage businesses. I'm proud to say we were able to turn around and roll out this program successfully in less than two months.

This rollout included a brand-new public private partnership with point-of-sale vendors, allowing us to meet our food and beverage entrepreneurs where they're

already doing business. Applicants have been able to log into Square, Toast, and other platforms and get direct access to the SBA's application portal.

We heard from business owners like Michael Shemtov in Charleston, South Carolina, who owns the Butcher & Bee, that the entire application process took less than 20 minutes.

As of May 24, the RRF program has received more than 362,000 applications – with a total of \$75 billion in funding requested. More than 208,000 of those applications came from small businesses owned by women, veterans, and socially and economically-disadvantaged individuals, who, as directed by Congress, were given priority access to the program.

We've also successfully reached the smallest of our small businesses through this program. So far, we've received more than 139,000 applications for the three set-asides we created for the smallest applicants, which will be funded through \$9.5 billion in total set-asides.

Another program that was recently launched is the Shuttered Venue Operators Grant program, which provides \$16.2 billion to eligible performing arts organization operators, museums, talent representatives and more. As of May 24, the SVOG program has received 12,841 applications for \$11 billion in requested funds.

We hope these funds will help our nation's venues hold on until they can bring back the performances and experiences that are the lifeblood of our American culture.

With the Paycheck Protection Program (PPP), we've been focused on getting funds into the hands of those who need our help the most – as of May 23, we've approved more than 6 million loans totaling \$273.7 billion in 2021 alone, and 95% of those loans have gone to Main Street businesses with fewer than 20 employees.

We wouldn't have been able to deliver this relief without the partnership of more than 5,000 PPP lenders. We are extremely grateful for their hard work and dedication. With the involvement of banks, community banks, credit unions, Community Development Financial Institutions, Minority Depository Institutions, farm credit lenders, financial technology firms and other SBA lenders, we've been able to reach 8.5 million small business owners across America and support millions of jobs. We hope to continue to foster these relationships and expand access to capital even after the PPP.

While we've been working diligently to approve new PPP loans, the SBA has also been processing lender forgiveness decisions. To date, we've processed more than 3.3 million lender forgiveness decisions or more than 60% of 2020 loans, totaling \$279.4 billion -- greater than 99% received full forgiveness.

We continue to deliver funding through our Economic Injury Disaster Loan program, or EIDL, which has \$263 billion in loan program authority remaining. In addition, we're delivering Targeted Advance and Supplemental Targeted Advance grants to our smallest businesses in low-income communities, which received \$15 billion in funding from the American Rescue Plan.

Since the enactment of the Paycheck Protection and Healthcare Enhancement Act, we've approved 3.8 million EIDL loans for a total of \$208 billion in funding. Over the past year, we've approved and disbursed three times as many EIDL loans as we have in all the disasters combined over the past 68 years.

In one of my first actions as SBA Administrator, I raised the cap on EIDL loans to 24 months of working capital up to a maximum amount of \$500,000. Since the change in policy, we have disbursed more than \$1 billion in EIDL loans. We're also exploring increasing EIDL eligibility up to the full statutory loan limit of \$2 million.

The SBA also has been carrying out the Debt Relief program -- reducing or eliminating principal and interest payments for our 7(a), 504 and microloans -- to help provide critical economic stability and financial peace of mind for hundreds of thousands of small businesses, while protecting lender and SBA's loan portfolios, and stimulating new lending of long-term capital for small businesses.

Temporary fee waivers for borrowers and lenders in our core loan guaranty programs, along with a 7(a) higher guaranty, and 504 refinancing enhancements, have boosted lending. Commitments in both programs have nearly doubled loan volume overall since February.

While implementation of these relief programs is important, we also know that we need to develop systemic approaches to improving outreach to ensure all of America's entrepreneurs can connect to our resources and services. Just this week, we posted the Notice of Funding Opportunity for our Community Navigators pilot program. This is a program that I'm particularly excited about because it will help us build bridges to our small businesses owned by women, veterans, and socially and economically-disadvantaged individuals.

Our community navigators will act as on-the-ground ambassadors so that we can meet small businesses where they are, instead of waiting for them to come to us. The program will deliver \$100 million in grants to hub organizations – private nonprofit organizations, SBA resource partners, states, Tribes and local governments – which will be positioned at the center of a network of “spoke” organizations, or trusted community champions that connect with small businesses that need SBA services right now. The idea is that we’ll leverage the business and operational expertise of the central hub organizations, and the community credibility, connectivity and trust of spoke organizations.

In a similar vein, we continue to focus on improvements and better distribution of our resource partner networks. For example, we’ve greatly increased our outreach via our Women’s Business Centers – onboarding 20 new centers in March 2021, including five centers located at Historically Black Colleges and Universities – to establish the largest women’s business center network in our agency’s history. And, 60% of these new centers are focused on supporting rural communities.

These Women’s Business Centers will not only help us reach the fastest growing entrepreneurial segments in the nation, but they will also continue to expand our efforts to break down the historic barriers that stand between too many of our underserved entrepreneurs and their dreams.

We’re also working with all our resource partners, including our Small Business Development Centers, SCORE and Veterans Business Opportunity Centers to increase communication and information-sharing on our relief programs so they are better positioned to support small businesses on the SBA’s behalf.

While our focus with all our relief programs has been to get funds into the hands of small businesses swiftly, efficiently and equitably -- we’ve also maintained a high level of oversight to minimize fraud and abuse. We’re currently conducting a fraud risk assessment of our PPP, EIDL and EIDL Advance programs to proactively manage fraud and the risk of fraud.

And, as part of my commitment to elevate transparency and communication, we’ve instituted biweekly meetings with SBA’s Office of the Inspector General and have also been meeting more frequently with the GAO. I was pleased to hear both GAO’s Bill Shear and SBA’s Inspector General Mike Ware say in a recent House committee hearing that transparency at the SBA has improved under my watch, and that our relationship is off to a very good start.

While much of our energy is focused on delivering this crucial financial relief, we're also looking to the future to ensure that when small businesses are able to recover and reopen, there will be new growth opportunities out there for them – particularly in the federal marketplace.

We're working hard to deliver on President Biden's pledge to increase the small, disadvantaged business contracting goal from 5% to 15% by 2025. And, we're seeing a big increase in the number of applicants to our 8(a) program and our Women Owned Small Business certification program, which is averaging 1,000 applications per month.

President Biden's American Jobs Plan also gives small businesses more opportunities to sell their products and services to Uncle Sam – the world's largest customer – and participate in billions of additional investments in federal research and development.

Ideas know no geographic or demographic boundaries. SBA powers America's Seed Fund, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs to help our small businesses grow and scale the next big idea – and we want to ensure that women-owned, minority-owned, and rural small businesses receive the support they need to take advantage of these opportunities. The American Jobs Plan would give the SBA the ability to create a national network of small business incubators, innovation hubs and technical assistance partners that would help us do that.

In addition, it would increase access to capital for small businesses by injecting \$20 billion in funding into SBA's 7(a) loan program and the Small Business Investment Company program, both of which I am committed to leveraging for increased equity and to support the American Jobs Plan's strategic investments in manufacturing, infrastructure, and clean energy.

We're also looking at other tools at our disposal to ensure all our small businesses can fund their companies -- including underserved businesses who too often have had trouble accessing capital via traditional financial markets. We need transformational change to drive economic growth – and that means we will be innovative and engage with our customers, stakeholders and private partners to come up with workable solutions -- including direct lending by the SBA to the smallest businesses.

Throughout this pandemic, I have been inspired by the ingenuity and creativity of our nation's small businesses as they've pivoted and adapted to new marketplaces. Businesses have adopted technology at high rates, leveraging e-commerce and social media strategies to serve customers in new ways. The SBA is committed to expanding those opportunities to ensure that our small businesses can compete globally.

The best thing we can do for our small businesses is to help our nation, to use President Biden's words, "declare our independence from COVID." With 250 million shots in arms delivered since President Biden took office and 61% of adult Americans who have taken at least one shot of the COVID vaccine, we're making progress. The SBA is doing our part to support that effort by getting the word out to small businesses about the tax credit they can receive for any paid leave they provide to their workers receiving, as well as recovering from, a vaccination.

There is so much more work to do. As the voice for America's small businesses and innovative startups, I will be leveraging every tool at my disposal to bring businesses back, create jobs and build an equitable economy that works for everyone.

Under my leadership at the SBA, we're focused on putting our customers first — America's small businesses. We want them to feel like the giants they are in our economy. Because the truth is, they are our economy's greatest driving force. And if we're going to help them build back better — we have to meet them where they are and deliver the resources and services that will enable them to do what they do best — create jobs. At the same time, we must eliminate the historic barriers that have left too many entrepreneurs behind and caused inefficiencies in our economy.

I look forward to partnering with you to give all entrepreneurs the tools they need to start, sustain and grow into the future.

Thank you, Chairwoman Velazquez, Ranking Member Luetkemeyer, and members of the committee, for the opportunity to appear before you today.

**House Committee on Small Business Hearing with Administrator Guzman on
“An Examination of the SBA’s COVID-19 Programs”**

May 26, 2021

Follow-Up Questions for the Record

Questions from Chairwoman Velazquez

- Since SBA’s inception in the 1950’s, the Disaster Loan program has made low fixed-interest, long-term financing available directly to small businesses and individuals impacted by natural disasters. Interest rates are low and maturity can be up to 30 years. Meanwhile, the interest rates in the 7(a) program hover between 8 and 11 percent and have shorter terms. Can you comment on SBA’s role in offering small business direct loans at rates and maturities not offered by banks?

Access to capital remains the most important factor for small businesses to establish, survive, and grow. However, many small businesses experience significant challenges securing the financing they need to sustain their businesses. Traditional commercial loans require small businesses to work with lenders, either banks or credit unions. The smallest businesses, and especially businesses owned by socially and economically disadvantaged individuals, lack relationships with established lenders. Compounding this problem, lenders are not driven to recruit small-dollar borrowers because fixed transaction costs are the same regardless of loan size, and the return on investment is much smaller. The pandemic exacerbated capital challenges for small businesses. SBA is increasing outreach to mission-based lenders such as Community Financial Institutions, including CDFIs to deliver more small dollar loans for those markets.

- The Committee has heard several times about the slow disbursement of resource partners’ normal appropriations and CARES Act grants. I’m concerned that these problems are potentially due to staffing shortages within SBA. Do you have enough resources to hire enough employees to fulfill your obligations under the core programs and the pandemic relief programs?

To streamline our grant disbursement process and make it more efficient, OED is planning a full transition to a new grants platform, GrantSolutions which will contribute to efficiencies in the grant award cycle.

OSBDC has increased training to the SBDC Networks and SBA staff to optimize award delivery. Through that effort, the award delivery timeline has improved significantly.

We appreciate your continued support for the Office of Entrepreneurial Development’s programs and resource partners.

- How can the Committee continue to support SBA to ensure the Administration has the resources necessary to provide superb customer service and process grant awards in a timely manner?

Per Administrator Guzman's leadership, we are constantly evaluating how we can streamline our operations via leveraging technology and being more customer centric.

In OED, there has been some turnover, but we have filled key positions which is more important than ever with the launch of the Community Navigator Pilot Program. We appreciate your continued support for the Office of Entrepreneurial Development's programs and resource partners.

- As you know, Congress has provided funding for EIDL Targeted Advance grants to provide the \$10,000 in relief. How is the SBA connecting with borrowers and first-time applicants in low-income communities to ensure that these targeted advance payments are disbursed? How many borrowers have you reached out to, and how many have responded? How many have been approved? How many have been denied? How much funding has been disbursed?

SBA has ramped up its outreach efforts to ensure that it is connecting with our nation's smallest and hardest-hit businesses, as well as those businesses from low-income communities which may also be eligible for the companion COVID EIDL Targeted Advance and Supplemental Targeted Advance grants totaling up to \$15,000 per small business. So far, SBA has disbursed more than 1 million Targeted and Supplemental EIDL Advances for more than \$7.5 billion.

- We continue to hear reports that businesses are getting vague requests to update their 4506-T forms. Applicants need specific instructions to follow with clear information and contacts given the timing and demand. Has SBA provided clarity on what applicants are supposed to fix and made appropriate contacts and connections with the IRS?

When applicants submit the incorrect version of the 4506-T form or complete the form incorrectly, applicants are given specific instructions. These instructions include a link to the correct form version (if the wrong version was originally used), or guidance regarding the error if the loan officer can determine what it was.

SBA has worked with IRS to eliminate the backlog of pending transcripts and achieve an average IRS processing time of five business days for transcript requests. For COVID Loans, the transcript backlog was at its greatest in June 2021 with a total tax transcripts pending from the IRS of 726,523. On June 15, 2021, IRS began using an automated process to process these requests and reduce the backlog. As of February 4, 2022, there is 12,856 in pending transcript inventory which is in line with the average five business day processing time.

- We are hearing reports that SVOG applicants are being made aware that they are on the "Do Not Pay" list, but are not given instruction on how to fix it, who to contact, or how to confirm it has been resolved after it has been fixed. Has SBA provided clarity on what applicants are supposed to fix and made appropriate contacts and connections?

The SVOG program delivered over \$14 billion in emergency-relief to nearly 13,000 performing arts organizations in all 50 states and all US territories. The application period, which was open for nearly four months, has now closed and SBA is finalizing decisions for appeals, reconsiderations, and supplemental awards.

SBA regrets the previous confusion of the incorrect Do Not Pay-related notices sent to applicants last May. Within a few weeks, the SBA emailed all applicants in that scenario to inform them of the mistake and tell them that the SBA will automatically close the “On Hold for DNP” status in their application. No further action was required from the applicant on the issue.

There was a small number of applicants who had Do Not Pay holds that required additional information. In those instances, the SBA has worked with the applicants to determine whether the payment should be disbursed.

- When SVOG awards go out, recipients need clarity on the total award as well as the number and amount of installments (if any). Why are some people getting full awards, some only 25% of the amount, and some just 10%? Does this mean their total award was reduced? What is the process for clearing future installments? Please provide further information on the award process.

SBA began issuing SVOG disbursements in a lump-sum, consistent with other emergency programs, in June 2021. There were 74 grantees who received partial disbursements prior to this change. All 74 grantees received the remainder of the grant award due to them in the ten days following the policy change.

- It has been six months since the Economic Aid Act was signed into law, yet very few awards have been made. What is slowing the process down and what can be done to get the money flowing to businesses that were especially hard hit and close to permanent closure 6 months ago? Will you be able to fulfill all of priority period applicants in the appropriate time-frame outlined in the statute?

The SVOG program delivered over \$14 billion in emergency-relief to nearly 13,000 performing arts organizations in all 50 states and all US territories. The application period, which was open for nearly four months, has now closed and SBA is finalizing decisions for appeals, reconsiderations, and supplemental awards.

The SVOG program is extremely complex, and required manual and painstaking processing of more than 17,000 Shuttered Venue Operators Grant applications due to the statute’s particular requirements. The agency worked closely with federal partners to process the Shuttered Venue Operators Grant applications as quickly as possible while ensuring the prevention of fraud, waste, and abuse.

In early June, the SBA reinforced its commitment to improve Shuttered Venue Operators Grant funding speed and made several program changes. On June 9, 2021, 90 Shuttered Venue Operators Grants had been awarded. The SBA made significant progress since then to process, approve and disburse funds as quickly as possible to get the nation’s venues back on track. By July 6, the SBA had awarded over 4,200 SVOGs; and by August 8, over 10,800. SBA has now reviewed all application and awarded nearly 13,000 grants. SBA publicly posts SVOG program information each Monday [online here](#).

- The Restaurant Revitalization Fund is intended have an initial 21-day priority period where SBA is to prioritize grants to women owned businesses, veteran owned businesses, and other socially or economically disadvantaged small business concerns. Now that we have passed 21 days since the opening of the program portal, how is SBA reviewing and processing applications and disbursing awards? To date, how many awards have gone out and how much funding has been disbursed? What is the total demand on the program?

The RRF was successful in awarding \$28.6 billion to over 101,000 awardees. Approximately \$18 billion was awarded to women owned businesses, veteran owned businesses, and other socially or economically disadvantaged small business concerns. As of June 30, 2021, the RRF program received more than 278,000 submitted eligible applications representing over \$72.2 billion in requested funds, and approximately 101,000 applicants have been approved to restaurants, bars and other restaurant-type businesses.

- As of September 2019, the agency had spent \$30 million on certify.SBA.gov, an IT certification management system for SBA's contracting programs. Yet, according to the OIG, SBA plans to abandon this IT initiative and replace it with another platform. Can you please elaborate on why SBA decided to abandon the Certify.SBA.gov initiative?

SBA has recognized that the challenges with the current Certify system pose a risk that the Agency will not be able to deliver the level of desired support to small businesses seeking certification in one or more of SBA's government contracting and business development programs. Addressing deficiencies in the Agency's certification system environment for these programs is a priority. A joint governance board, comprised of major program and administrative offices, was established in quarter three of FY 2021 and meets every other week to oversee the corrective actions needed to ensure accountability, mitigate risk and improve service delivery capabilities.

- Given the Administration's interest in increasing small business participation in federal procurement, can you please elaborate on what is SBA's strategy and associated timelines to have a fully operational IT platform servicing the contracting programs going forward?

SBA has entered into a contract with MITRE to develop an analysis of alternatives which will provide SBA with an independent assessment of the current state. The report will also identify options to evolve the Agency's systems to better support its small business clients seeking certification; improve data collection and application processing efficiencies; reduce risk of fraud and provide a better platform for integration of SBA's existing certification program while creating a platform for the eventual assimilation of the Veteran's Administrations' CVE program. Upgrading beyond the current Certify system is critical to the SBA being able to establish a single integration platform for use by all of its contracting certification programs that will improve operational efficiencies; quickening decision times; strengthening program oversight; and delivering a higher quality customer experience.

- Collecting demographic data on the PPP has proven difficult, with over 70 percent of loans having no demographic information. The Economic Aid Act included language requiring SBA to add voluntary demographic collection on the forgiveness applications, but a response rate of

around 30 percent makes it almost impossible for Congress and the public to assess the program's impact. Do you anticipate any change in the disclosure rate during the forgiveness phase? Why do you think this information has been so difficult to collect?

SBA does not have any evidence to suggest that the PPP forgiveness voluntary demographic reporting rate will differ significantly from that of PPP loan origination. The fact that the reporting of the demographic information is voluntary is the likely reason for the difficulty.

Questions for the Honorable Isabella Casillas Guzman, Administrator, United States Small Business Administration, Washington, DC from Rep. Golden (ME-02)

Administrator Guzman: I would like to gain clarity from SBA on the definition that the agency will be using for “majority owned or controlled” in the Shuttered Venue Operator Grant (SVOG) program, as the agency has referenced two different thresholds across different SVOG documents.

- The Federal Register notice issued on March 26, 2021 announcing the application process uses a 51% threshold: “*Majority Owned or Controlled* means that at least 51% of the ownership interests in an entity (regardless of its legal structure) are held by a single individual or entity.”
- Versions 1-9 of SBA’s FAQs also used the 51% threshold in the definition of “majority owned:” “**How is ‘majority owned or controlled’ being defined?** Across its various programs, the SBA defines majority ownership and control to mean that at least 51% of the ownership interests in an entity (regardless of its legal structure) are held by a single individual or entity.”
- However, the latest version of the FAQs (v. 10 issued 4/23/2021) changes the threshold to 50%: “**Majority owned** More than 50% of the ownership interests in an entity (regardless of its legal structure) are held by a single individual or entity.” Of “at least 51%” and “more than 50%,” which is the ownership threshold that the SBA is applying to SVOG? And if the threshold included in the Federal Register was wrong, will SBA be publishing a change in the Federal Register?

SBA considers a business majority owned when more than 51% of ownership interests in an entity (regardless of its legal structure) are held by a single individual or entity.

Questions for the Record from Rep. Claudia Tenney (NY-22)

- Restaurant and businesses across my district have been struggling to fill job vacancies. While the Restaurant Revitalization Fund should be a great help by helping them keep their doors open, these doors cannot stay open if there is nobody to serve customers. What is the SBA doing to help restaurant and businesses fill their vacant job offerings?

SBA COVID relief programs such as PPP, EIDL, and RRF provided funding businesses need to hire and retain employees. The COVID EIDL program may be able to provide additional relief to small businesses that already received a COVID EIDL loan. This can assist eligible small businesses in their ability to maintain steady employment with the necessary funds to hire former and new employees.

- The Shutter Venue Operators Grant was another critical program aimed at combatting the economic effects of the pandemic. How many venues have been kept open thanks to the program? How many of them have permanently closed since March 2020?

The SVOG program delivered nearly \$14 billion in emergency-relief to over 12,800 performing arts organizations in all 50 states and all US territories. The application period, which was open for nearly four months, has now closed and SBA is finalizing decisions for appeals, reconsiderations, and supplemental awards.

SBA has issued decisions on all 17,644 applications, including issuing awards to over 12,800 organizations. SBA publicly posts SVOG program information each Monday [online here](#).

- The end of the pandemic is around the corner. Mask mandates are collapsing across the country. Almost half of the US population has also been vaccinated. How is the SBA planning to transition its mission from helping businesses survive the pandemic to helping businesses fully recover from the pandemic?

SBA has retooled COVID relief programs to help small businesses recover for the long run. As an example, with the expansion of the COVID EIDL loan cap to \$2 million and expansion of allowable uses of funds, more businesses can access a larger long-term working capital loan at affordable rates to enable them to fully recover from the pandemic.

- In its May 2020 report, the OIG Flash Report stated that SBA guidance with regards to the PPP lacked the prioritization of underserved and rural communities that the CARES Act mandated. What steps has the SBA taken to ensure that these communities also are protected economically during this time of crisis and are able to fully recover?

Under the Economic Aid Act, Congress created set-asides to better reach these communities for first and second draw PPP loans. Additional consideration in prioritizing outreach to very small sole proprietorships, self-employed and independent contractors resulted in more loans in the 2021 PPP program with smaller loan amounts, delivered through Community Financial Institutions. In their September 2021 report on PPP (GAO-21-601), GAO wrote, "To increase lending to traditionally underserved businesses and counties, Congress and SBA

modified PPP to include more lenders, particularly those that lend to traditionally underserved businesses. Nonbanks, CDFIs, and MDIs each made a greater percentage of PPP loans in Phases 2 and 3. CDFIs, MDIs, and nonbanks made 97 percent of the nearly 1.5 million loans issued by new lenders in the last two phases of the program.”

- Nearly every small business I have talked to recently has told me that their biggest challenge is not finding people able to work, but finding people *willing* to work. A survey by the National Federation for Independent Businesses recently found that 42 percent of small businesses nationwide have jobs they can’t fill – the highest percentage on record. The data is telling. What are you advising small businesses to do and what are you advising the President to do?

Helping small businesses hire and retain workers is a critical element of our economic recovery. Small businesses looking for assistance in filling job openings should consult with SBA resource partners, including their local area Small Business Development Centers, which can provide tailored advice that reflects the labor market conditions in their local area.

Another national resource is the network of nearly 2,400 American Job Centers (AJC) funded by the U.S. Department of Labor, which provide a full array of employment and training related services for workers, jobseekers, and businesses. AJCs are operated at the local level and provide training referrals, career counseling, job listings, and other services available under the Workforce Innovation and Opportunity Act and partner programs. Information about these job centers is available at careeronestop.org.

The President’s legislative agenda includes a major emphasis on helping working-age individuals join or rejoin the workforce, including by helping them access affordable child care and paid family and medical leave, so that parents no longer have to choose between raising a family and sustaining a career.

- This Administration sought to prioritize the smallest main street firms in the latest round of PPP, yet Planned Parenthood NY received a maxed-out loan just before the program exhausted funds. Can you explain how this occurred, especially given repeated Congressional inquiries as to over \$80 million in previous illegal loans to 38 PPFA entities?

When conducting program oversight and loan reviews, SBA will apply the affiliation rules as set forth in the CARES Act, as amended by the Economic Aid Act and the American Rescue Plan Act, and in accordance with the interim final rules issued to implement the PPP.

- What justification can you offer for the redactions to email correspondence between the SBA, lenders, and PPFA affiliates?

SBA will not comment on borrowers or correspondence regarding specific borrowers.

- When can we expect results from the SBA Inspector General's internal audit of such cases?

SBA will not be able to respond for the Office of Inspector General.

Questions for the Record from Rep. Beth Van Duyne (TX-24)

- Based on the SBA's press release on the Restaurant Revitalization Fund application, you are quoted as saying "We're focused on ensuring that the RRF program's application process is streamlined and free of burdensome, bureaucratic hurdles – while still maintaining robust oversight." I couldn't agree with you more on oversight of the RRF program; unfortunately, the program was created with limited oversight metrics, and according to the SBA's IG and the GAO, the SBA's controls are currently lacking. For this reason, I introduced the bipartisan "Restaurant Recovery Fairness Act" to ensure there are proper program controls in place. I hope you take a look at that bill, but in the meantime, how can we work together to ensure taxpayer dollars are safeguarded in a multi-billion-dollar grant program?

SBA designed the RRF program with the new risk management framework controls contained in the 2021 PPP loan application process, due in part to concerns raised by OIG, GAO and Congress over the 2020 PPP loans. Included in these controls were: checking public records databases prior to issuance of a loan number, checking the existing SBA portfolio for flagged loans or business owners, validating against the Treasury DNP system, and leveraging Dunn & Bradstreet data for supplemental assistance.

- As I've met with many small employers in the 24th district, they are thrilled to be fully open again but also deeply concerned about President Biden's enhanced unemployment benefits. This has made hiring workers, even with excellent wages, harder than ever. On top of this, President Biden has advocated for increased taxes, which will undoubtedly harm the small businesses we are trying to help. I think it would be highly beneficial for you to meet with the small business owners in my community to hear their stories and concerns firsthand. I often host roundtables and visit with smaller employers in my district and I know they would appreciate the opportunity to share their stories with you directly. Would you commit to coming to my district in the months ahead?

Thank you for your invitation and interest in working collaboratively to help small businesses in Texas and across the country. I value the input of your constituents and look forward to speaking with them.

- Small businesses are the driver of our economy. Half of our workforce works for a small business. One of my goals as a member of Congress is to help encourage employers to invest in their employees. Large corporations seemingly have more tools available to them to create an environment where their workers can build generational wealth. From your view, how can small businesses make similar investments in their workforce?

Small businesses are outstanding places for workers to develop new skills and advance their careers. I share your belief that a worker at a small business should have no fewer opportunities to develop than one working for a large corporation. The Administration supports the creation of new apprenticeship slots, providing a key opportunity for small businesses, by building partnerships between employers, unions, and educational institutions. Additionally, community colleges across the country offer the technical training workers need to complement the on-the-job skills they acquire at small businesses across the country.

- President Biden has stated support for a one-size-fits-all federal minimum wage of \$15/hour even as the evidence that it would kill jobs and shutter small businesses is clear. The non-partisan Congressional Budget Office estimated that increasing the minimum wage to \$15 per hour would lead to the loss of 1.4 million jobs by 2025. The National Federation of Independent research also found that a wage mandate would reduce real economic output by \$2 trillion. NFIB also found that 92% of small business owners felt the wage mandate would harm their businesses. All that being said, yes or no, do you support mandating a federal minimum wage to \$15?

SBA shares the President's commitment to creating an equitable recovery for all, including his support for federal legislation that would raise the minimum wage to \$15 per hour. Economists have continually found that increasing the minimum wage can increase earnings and alleviate poverty. The CBO estimated that a national \$15 per hour minimum wage, implemented by 2025, could raise earnings for 27 million workers. President Biden has ensured that the federal government leads by example by signing an Executive Order in April 2021 to increase the minimum wage to \$15 per hour for certain federal contract workers. This administration understands job growth and economic security for workers go hand in hand in not only boosting the economy, but retaining and recruiting top talent for businesses, helping America to outcompete the world and succeed in the race to win the 21st century.

Additionally, please respond to the following statements:

- According to IRS data, more than 1 million of the 1.6 million C-corporations (69%) have business receipts less than \$500,000 (the closest IRS Statistics of Income threshold to President Biden's stated \$400,000 threshold that no Americans will see tax increases).
 - Of course, these more than 1 million small businesses will be negatively impacted by the President's corporate tax increase in the American Jobs Plan.
 - More than 1 million is many more than "very few small businesses" that are organized as C-corps, as the Administrator suggested.

The President's \$400,000 threshold pertains to families, not corporations. The corporate income tax is levied on taxable income, not gross receipts. C-corporations with gross receipts do not necessarily have a corporate tax obligation.

What I hear often from America's small business owners is the importance that we, as a nation, invest in physical infrastructure, clean energy, affordable health and childcare, education, and access to capital for entrepreneurs, so that we remain competitive on the world stage. To finance these investments, President Biden's Build Back Better Agenda will crack down on the unfair tax schemes that give big corporations a leg up. The President's Agenda will protect 97 percent of small business owners from income tax rate increases, while delivering tax cuts to more than 3.9 million entrepreneurs

- NFIB, as a co-lead of the Family Business Estate Tax Coalition, commissioned an Ernst & Young study that estimates the new taxes at death (elimination of stepped-up basis and

capital gains tax rate increase) will result in 800,000 lost jobs and \$100 billion in lost GDP over the next ten years.

- Small business owners may build up their business over decades with plans for the sale of the business to fund their retirement. These new changes would diminish those retirement funds considerably.
- Alternatively, small businesses trying to pass along the business to their children may have to sell the business/assets to pay for the increased taxes.

Without going into detail on this publication, one of its core assumptions is that revenue raised is used to increase transfer payments. It does not evaluate the growth and jobs impacts of using increased revenue to invest in education, childcare, clean energy, manufacturing, and infrastructure, all of which will increase the productivity of American workers. Therefore, the statistics cited are not relevant to the President's proposals.

- Increased passthrough business taxes – The American Families Plan proposes to increase taxes on small businesses organized as S-corporations, LLCs, sole proprietorships, and partnerships.
 - The Administrator was correct that these are the vast majority of small businesses but is incorrect that they would not be negatively impacted.
 - It proposed to increase the top tax rate from 37% to 39.6%, lower the thresholds at which this tax begins, and broaden the tax base by applying Medicare surtaxes to active income for the first time.

The vast majority of the more than 32 million small business owners in America are not subject to the top marginal income tax rate. That is why the President's Agenda will protect 97 percent of small business owners from income tax rate increases, while delivering tax cuts to more than 3.9 million entrepreneurs.

Questions for the Record from Rep. Maria Salazar (FL-27)

- Would you agree that if Congress were to offer economic assistance to the Live Events world, as well as other lesser-known industries who have been disproportionately impacted, that the continued use of NAICS codes as a means of determining whether a business qualifies for aid, is simply too exclusive? Wouldn't the use of an objective revenue loss-based approach ensure that Congress was best providing relief opportunities to those businesses who remain most in need?

SBA would be happy to further discuss eligibility for its programs. The SVOG program is based on revenue loss, per the statute.

- There are sectors of several industries—including the diversified live events supplier sector—who are still very much in need of relief just in order to survive (even as our economy begins re-opening). Can you comment on what possible modifications might be needed within some of the SBA programs—perhaps based on revenue loss thresholds vs. NAICS/other narrower guidelines—to ensure small businesses (like live events suppliers) don't slip through the cracks in getting the relief important for their survival? Is it a third round of PPP (probably with some rule changes to help meet current small business realities), or a broadening of eligible entities under SVOG, or even doing the same with the Restaurant Revitalization program, etc.?

SBA would be happy to further discuss eligibility for its programs. The SVOG program is based on revenue loss, per the statute.

- As the head advocate of small businesses in the United States, have you consulted with the Biden Administration on how any of the new policies being recommended would affect small businesses?

Yes, I am a constant advocate for small businesses within the President's Cabinet. I am proud of the substantial, multi-billion-dollar investment in small business, from capital access to contracting to innovation, that stands as a major pillar of the President's agenda.

- The CDC issued a conditional sailing order last year prohibiting cruise lines from embarking from American ports. This order indirectly harms thousands of small businesses around the country and has cost the economies of coastal states millions of dollars.
 - Do you think that it is fair that the cruise industry is still shut down?
 - Have you consulted with the CDC on how this order is harming small businesses?

Our path to a full economic recovery for small businesses depends on our ability to defeat the pandemic. That is why this administration has been focused on vaccinating more than 200 million Americans, supporting important preventative measures like masking, and providing small businesses with more than \$450 billion in economic relief in 2021.

As you know, cruise lines are currently operating. Please consult the Centers for Disease Control and Prevention with respect to its No Sail Orders and Conditional Sailing Order.

- Has the SBA looked at the possibility of moving money from any existing programs to COVID relief loan or grant programs?

At the start of the pandemic, the SBA did assess the possibility of moving money from existing programs to support COVID relief loan or grant programs due to the volume of activity. However, the SBA has received COVID-related appropriations to augment this workload. The SBA did detail some regular program staff and shifted the attention of core work to implementation and management of COVID-related programs. Given the need to manage existing non-COVID-related programs, the SBA does not anticipate moving regular program resources to COVID-related programs.

- In your opinion, have enough SBA resources been provided in foreign languages?

I am proud of the SBA's work to provide foreign language translations of SBA program resources, including the 35 different foreign language translations for the COVID EIDL program.

- In the last year, SBA has received \$3.6 billion for salaries and administrative costs. Could you provide the committee with a breakdown of how that money has been spent? How many new employees have been hired? How much of that money is remaining? Did SBA receive enough to properly administer these programs?

The SBA received \$3.6 billion in S&E supplemental appropriations that were used toward administrative expenses associated with SBA's pandemic response programs and preparedness. Since the start of the pandemic in March 2020, the SBA has obligated over \$2.8 billion through January 31, 2022, in support of SBA's pandemic response. This includes over 7,000 surge staff, overtime expenses for SBA's permanent and surge staffing, and operating costs for building and operating technology systems to process PPP and COVID-EIDL loans and other pandemic response programs. Operating costs also include contracted call center staff to support borrowers, review loans, review forgiveness applications, conduct forensic reviews, buy equipment and software licenses for term staff and contractors, and train staff on processes and review procedures. The table provides a breakdown of COVID-related S&E supplemental appropriation spending through January 31, 2022.

Funding	Category	Net Enacted	Obligations Through Jan 2022	Expired and Unobligated Balance
P.L. 116-136 CARES Act S&E expired 9/30/2021	Payroll and Overtime	\$675,000,000	\$57,085,271	\$23,754,622
	Contract/Services		\$583,241,951	
	Other Operating		\$10,918,157	
P.L. 116-139 PPPHCEA S&E expired 9/30/2021, \$175M rescinded	Payroll and Overtime	\$1,925,000,000	\$687,790,847	\$155,825,650
	Contract/Services		\$1,046,842,010	
	Other Operating		\$34,541,493	
P.L. 117-2 ARP S&E no-year authority	Payroll and Overtime	\$840,000,000	\$158,253,674	\$419,249,589
	Contract/Services		\$251,889,846	
	Other Operating		\$10,606,890	

The amount of lapsed 2-year funding is due to the GAO decision on service severable contracts that prevents the use of multiple-year funds on contracts beyond the period of the fund's obligational availability. Contracts funded with two-year appropriations cannot use the "twelve-month rule" to extend the period of performance beyond the end of their second fiscal year. The Infrastructure and Investment Jobs Act (IIJA) subsequently rescinded \$175 million of the expired balances enacted in FY 2020.

The remaining funds are available until expended. SBA anticipates spending the remaining balances of ARP funds and the \$500 million in IIJA transfer authority to support SBA's administrative needs. SBA expects a continuation of COVID program management and administrative costs that will require long-term funding solutions into FY 2023 and beyond.

Questions for the Record from Rep. Scott Fitzgerald (WI-05)

- Earlier this year we held a hearing in the Subcommittee on Contracting & Infrastructure examining an issue concerning the Federal Acquisition Regulations Credits Clause application to the Paycheck Protection Program's loan forgiveness. Can you tell me what SBA's position is on this issue, and if the agency has any plans to clarify some of the confusion?

SBA understands the concern of small businesses and recognizes that the application of the credits clause is an important issue, particularly to small businesses with cost-reimbursement contracts. The application of the clause is a contracting-agency-level matter of contract administration over which SBA does not have authority. SBA has worked with small business groups to explain how the clause is being applied and to point them to the contracting-agency guidance to understand how the clause operates.

- Fraud within the EIDL program remains extremely concerning. Additionally, we know that the SBA's SVOG program was flagged by the SBA for serious control and performance concerns. It seems a new report comes out monthly on these programs. In your response to these reports, we know that the SBA plans to inquire and implement many of these recommendations, but I wanted to know more about how you plan to close out these recommendations. I cosponsored a bill introduced by Ranking Member Luetkemeyer to codify many of these recommendations, which pertain to the COVID-19 relief programs as many are getting ready to conclude their application window.

Oversight and anti-fraud safeguards have been, currently are, and will continue to be a top priority for as long as I serve. ODA has a robust internal control team that reviews every aspect of the SVOG program, from policy to documentation. This oversight has let us be proactive at mitigating fraud at the front end. Additionally, we've created an SVOG fraud risk assessment that is a living document; changes when potential threats are identified and when processes have been put in place to mitigate the concern.

- In October 2020, the Trump Administration finalized its true lender rule, defining the regulatory requirements and compliance obligations between banks and third-party lenders. It clarifies that banks are generally the real lenders when they partner with intermediaries to offer loans. The rule also helps community banks themselves, which often can't afford to acquire the personnel and infrastructure needed to offer the wide range of financing options required by consumers. The rule doesn't alter consumer protection laws; it allows lenders to extend credit to those limited to more expensive payday or title loan lenders. Fintech fills a vital gap between these non-bank lenders and major financial institutions. The Senate passed a resolution under the Congressional Review Act to repeal this rulemaking. Why is the Biden Administration supporting this policy that would reduce access to credit for small businesses at a time when the economy is just beginning to recovery after the pandemic?

The incorporation of fin-tech, or technology driven lending as part of mainstream financial services must be appropriately structured to mitigate risk and

manage issues of potential usurious interest rates, “Know Your Customer,” and fraud in general.

- Many businesses in my district are having difficulty hiring new employees. Even in industries with competitive compensation find themselves competing with the expanded unemployment insurance benefits. Do you believe that it is time to scale back the unemployment benefits to encourage more people to get back to work?

In September, the pandemic relief unemployment programs provided by Congress—all of which were initiated with wide bipartisan support—expired. For example, individuals qualifying for unemployment no longer receive the \$300 federal supplement.

Questions for the Record from Ranking Member Luetkemeyer

- In March, the non-partisan government watchdog Government Accountability Office added SBA's pandemic loan programs to its "High Risk List," the government programs at the most risk of fraud and waste. In its report on High Risk programs, GAO said, "while [SBA's] hundreds of billions of dollars in loans have greatly aided many small businesses, evidence of fraud and significant program integrity risks need much greater oversight and management attention." What specific actions have taken to improve oversight and management supervision of the COVID Relief programs?

SBA has taken significant steps during the past year to improve oversight and management of the COVID Relief programs including the following: The SBA Office of Performance, Planning, and the Chief Financial Officer (OPPCFO) is leading a fraud risk assessment of the CARES Act programs in partnership with the Office of Capital Access (OCA) and the Office of Disaster Assistance (ODA) to identify fraud risks related to the execution and management of COVID-EIDL and PPP. Currently, the fraud risk assessments are being populated into a workbook, which will influence the creation of a gap analysis to ultimately build out the fraud risk framework. In addition, consistent with GAO's "A Framework for Managing Fraud Risks in Federal Programs", the Agency is finalizing a proposal to establish SBA's anti-fraud entity. The anti-fraud entity would both coordinate and elevate the Agency's oversight of fraud risks in its several programs.

In January 2021, SBA began developing a random forest machine learning model. SBA's machine learning model enhances the loan manual review process by focusing investigative resources on higher areas of risk. Specifically, loans that indicate minimal risk of ineligibility, fraud, or abuse can be dispositioned as no further action and do not require a manual review, allowing for the more efficient use of government resources to manually review loans that require further analysis to identify potential ineligibility, fraud, or abuse. To date, SBA has conducted more than 65,000 manual loan reviews to identify potential noncompliance with eligibility requirements, fraud, or abuse. Approximately 5,000 of these manual loan reviews have been dispositioned as Requiring Further Analysis (RFA) due to potential fraud or ineligibility, totaling \$1.6 billion.

SBA determined that it was in the best interest of the COVID EIDL programs to redirect the management of COVID operations from the Office of Disaster Assistance to the Office of Capital Access. This includes COVID EIDL loan origination and increases, Targeted COVID EIDL Advance and Supplemental Targeted Advance relief categories. The goal of this transition is to help reduce processing backlogs, expand the impact of the programs by effectively delivering a product that meets the needs of small businesses, and bring a recalibration of customer focused principles to our processes. In addition, we are targeting common fraud scenarios, focusing on high-risk areas, and considering known or previously encountered fraud schemes to design front-end controls for proactive risk management.

As further described in the revised SBA Master Review Plan, the SBA strategically re-targeted the manual loan review from its historical focus on forgiveness to a more risk-based approach that focuses on reviewing the loans at highest risk of fraud and being ineligible. The revised SBA Master Review Plan also documents strategic refinements and efficiencies to the manual review process as well as other material process changes based on observed learnings, trends, and machine learning over the course of the manual review process.

- What SBA staff resources have you committed to oversight of the SBA's COVID Relief programs? Please state the number of SBA staff, number of contractors, if any, and the amount of funds already spent and/or designated for each.

In the last pay period, SBA had 481 non-ODA COVID-related staff. SBA's Office of Disaster Assistance also has a designated fraud team of 138 members across 6 teams that that work on COVID EIDL fraud inquiries.

In addition to the fraud team., there is a 110-employee strike force Hold team that are reviewing and mitigating 1,500 fraud hold files a day. We expect to review over 400,000 files by early April.

- Of the many SBA Inspector General reports on the pandemic loan programs, one of the most disturbing is the IG's May 6, 2021 report on rampant fraud and identity theft in the EIDL Program. Have all of the measures recommended by the SBA's IG in the May 6, 2021 report been implemented? Please respond to each of the IG's recommendations, whether each recommendation has been implemented, the date each was implemented, or the reason why each has not been implemented.

The OIG report titled SBA's Handling of Identity Theft in the COVID -19 Economic Injury Disaster Loan Program, issued on May 6, 2021, included the following five recommendations:

1. Develop a process to maintain and track all identity theft complaints.
2. Develop a process to provide status updates to each complainant alleging identity theft.
3. Complete and formalize a process to restore identity theft victims to their condition prior to the fraud. The process should include steps to stop the loan billing statements, prevent delinquency collections, release them from loan liability and UCC liens.
4. Develop a process to remove any fraudulent loans and related UCC filing fees from its financial records.
5. Review over 150,000 returned billing statements and resolve any that involve identity theft, then refer fraudulent loans to OIG.

OIG recommendations 1-3 were closed on July 28, 2021. The target closure date for recommendations 4-5 was extended to March 1, 2022; however, SBA submitted documentation to OIG to close these remaining recommendations on January 28, 2022,

and followed up with them on more documentation on February 10, 2022. We are waiting for confirmation from OIG that the two remaining recommendations will be closed.

- One of the root causes of the EIDL problems seems to be the SBA's disastrous attempt at direct lending, while the more successful PPP utilized third party lenders with the SBA as simply a guarantor. Do you think the EIDL's failure means that the direct lending efforts of the SBA should be examined?

SBA does not agree that direct lending has been a failure. With new fraud controls in place and thanks to legislation allowing the use of tax transcripts in the EIDL application process, SBA addressed the fraud vulnerabilities that were identified from 2020. SBA is committed to enhancing its fraud review process and is completing a component addressing fraud within the COVID EIDL program.

- One of the more alarming findings in the IG's May 6 report is that as of January 31, 2021, the SBA referred *over 846,000* EIDL program applications to the SBA's Inspector General for suspicion of identity theft. Even more alarming: the IG found that SBA officials *did not know the exact number of individuals who filed an identity theft complaint, because it did not maintain and track the complaints*. In fact, the SBA had no process for providing status updates to victims, releasing any liens on victim's assets, preventing collection actions, or releasing victims from loan liability.

SBA established an oversight board that became active in September 2020 for review of controls and analysis of issues. The board was comprised of senior leaders of the agency who met regularly to review and consult on solutions developed by the program offices for program execution. SBA has since established a designated anti-fraud entity responsible for oversight and coordination of SBA's fraud risk prevention, detection and response activities. In addition, significant effort by SBA staff in the offices of Disaster Assistance and Capital Access, along with contractors that have been retained for loan and forgiveness review procedures, are all focused on fraud prevention and detection.

- What steps has the SBA taken to address the issues of waste, fraud, and abuse in the EIDL program and its grant offerings?

The scope of the OIG's published audit reports on the COVID EIDL program has only covered the loans and grants awarded in 2020 prior to some key changes in the program's ability to strengthen internal controls. The potential fraud identified by the OIG occurred in the loans and grants that were administered under the CARES Act, which lowered the guardrails on the EIDL program by: 1) prohibiting SBA from obtaining tax records for applicant businesses, and 2) requiring SBA to accept a self-certification from the applicant business to validate eligibility. These two changes featured in the CARES Act were a drastic departure from the SBA's normal process to obtain tax records directly from the IRS to validate eligibility and repayment ability. The Supplemental Appropriations Act of 2021 repealed these sections in the CARES Act that prohibited SBA from obtaining tax records and replaced it with a requirement to require any

documentation necessary – returning control to the SBA to do what it has already done – collect tax records. Obtaining tax records directly from the IRS has historically been one of the SBA’s strongest internal controls to validate eligibility, and we thank Congress for the lifting those restrictions the Agency was required to adhere to under the CARES Act.

- What controls have been put into place to prevent identity theft in these programs?

In the Summer and Fall of 2021, the Office of Capital Access OCA made significant improvements to COVID EIDL controls by:

- Incorporating authentication to validate the US presence when previously there was no IP validation for this
- Enhancing applicant and business identity by:
 - Requiring human contact when an applicant is flagged for IP address, bank account, or email/physical address validation
 - Adding STAR review which includes KYC identity and address verification, public data integration, a business rules engine, a case management tool, and a reporting tool to promote a robust review framework that flags fraud. STAR review has flagged more than 170,000 COVID EIDL loans to prevent future increases without review.
- Informing applicants of bank account changes
- Incorporating a NAICS validation
- Including fraud control training which had not been provided in the first version of COVID EIDL controls
 - What steps does the SBA now take if an EIDL application appears to be fraudulent?

SBA has an internal fraud team with approximate staff of 150, dedicated to working various aspects of suspected fraud in the COVID EIDL program. The fraud team has played a critical role in supporting IG and DOJ criminal fraud investigations, which have led to numerous convictions.

In the event SBA identifies fraud, SBA refers validated identity theft and fraud cases to SBA OIG. SBA also has established processes for coordinating with DOJ on active investigations, and with outside law enforcement on prosecutions and seizures related to identity theft and fraud.

- On April 7, 2021, the night before the Shuttered Venue Grant Operators program was to open, the SBA’s Inspector General issued a Management Alert warning of “*serious concerns* with the control environment and tracking of performance results *requiring immediate attention and action*.” The SBA had over three months to get this program, enacted in late December, up and running, and couldn’t do it. After just a few hours, the portal crashed and wasn’t able to reopen for another two weeks. What specifically caused this failure? Why did it take SBA two weeks to correct the problems?

The SBA recognized the pace of SVOG awards did not meet the need for this emergency funding program. These delays were due to several factors, including the fundamental complexity of the program, SBA's first-time making grants directly to small businesses and nonprofits, initial complications with the contractor, and several legacy decisions made in the prior administration and during the transition. SBA adjusted our approach to processing SVOG applications on June 11, 2021 and piloted the new approach immediately thereafter over the weekend of June 11-13, 2021 with the SVOG operations team working mandatory overtime.

The application period, which was open for nearly four months, has now closed and SBA is finalizing decisions for appeals, reconsiderations, and supplemental awards. The SVOG program delivered nearly \$14 billion in emergency-relief to over 12,000 performing arts organizations in all 50 states and all US territories.

- I think we all agree that the SBA's COVID programs were literally life-saving for small businesses during the pandemic. But I am absolutely firm in my belief that oversight and anti-fraud measures must not be shortchanged in the process. We must protect these funds that are so critical for small businesses, whether in a pandemic or not. Can you make the commitment to that you will make oversight and anti-fraud safeguards a top priority for your term in office?

Yes, oversight and anti-fraud safeguards have been, currently are, and will continue to be a top priority for as long as I serve. The Office of Disaster Assistance created a fraud risk assessment for the SVOG, which is updated monthly. This assessment, completed by a third party at ODA, gives outside objectivity on the program to minimize fraud risk.

- One of our most important duties as Members of Congress is to investigate agency programs, identify problems, and determine whether programs are working and taxpayer dollars are prudently spent. In your view, what are the most important needs for the SBA now?

Please refer to the President's FY 2022 budget request. This document reflects the SBA's priorities for Congressional spending across the SBA's programs. Outside of pandemic relief programs, SBA continues to be a relatively small agency with a sizeable mission—supporting the 32 million-plus small businesses that support over half the country's private sector workforce.

- In California, you oversaw a network of small business centers that expanded assistance to underserved businesses. Small businesses in rural areas are often overlooked, and I think we can do more to help them access capital, gain broadband service, and become more competitive. What ideas do you have to help rural entrepreneurs?

The Office of Rural Affairs is housed under Office of Field Operations to maximize resources across 10 regional offices and 68 district offices. SBA is building an ecosystem to leverage existing resource partners, local stakeholders and USDA. Our Office of Rural Affairs is cross training SBA/USDA staff and have plans to conduct joint outreach across

rural America on variety of initiatives including rural healthcare initiative and the beginning farmers initiative. We are also looking at strategies to cross collaborate on SBA and USDA access to capital programs to enhance rural community resources.

- Before the COVID-19 pandemic, small businesses were experiencing skyrocketing growth. A streamlined regulatory landscape allowed them to flourish. Recent actions by the new Administration, such as reversing the previous Administration's Executive Order 13992 to repeal two regulations for every new one, are reversing responsible reforms that reduced regulatory burdens. Similar efforts during the Obama administration crushed small business growth. What will you do to encourage fewer regulations and more freedom for entrepreneurs?

The SBA's Office of Advocacy works to represent small business voices in the regulatory process. I support the mission and role of that office in ensuring the benefits of regulations are justified and are fair and appropriate with respect to their impact on small businesses.

- A well-known National Association of Manufacturers' study by two economists found that government regulations cost businesses with fewer than 50 employees a staggering \$11,724 *per employee per year*, and 29% higher, on average than the costs for businesses with more than 100 employees. In the manufacturing sector, the per employee regulatory costs for small businesses were 152% higher than the costs for larger businesses. Do you think small businesses should have to shoulder more regulations when they are still struggling to reopen? Do you think small businesses are over-regulated?

The SBA's Office of Advocacy works to represent small business voices in the regulatory process. I support the mission and role of that office in ensuring the benefits of regulations are justified and are fair and appropriate with respect to their impact on small businesses. Moreover, as the President talked about in Pittsburgh in January, the economy added 367,000 manufacturing jobs in 2021 – the most in nearly 30 years. Since his first day in office, President Biden has relentlessly focused on an industrial strategy to revitalize our manufacturing base, strengthen critical supply chains, and position U.S. workers and businesses to compete and lead globally in the 21st century. The U.S. economy grew at the fastest pace in nearly 40 years in 2021, and manufacturing as a share of U.S. GDP has returned to pre-pandemic levels. Manufacturing activity has seen a significant expansion every month that President Biden has been in office, consistently above pre-pandemic levels.

- Small business owners are operating under a potentially crushing combination of regulations, taxes, scarce capital, and a lack of qualified workers, and many states are still paying people to stay home rather than work. What steps can be taken to encourage entrepreneurs to start businesses in this environment?

I support President Biden's agenda to cut taxes for the middle class, including 3.9 million entrepreneurs and millions of other potential entrepreneurs; expanding access to capital, particularly for those seeking smaller-dollar loans, many for the first time, through the

creation of a new small-dollar loan product under the 7(a) program, in partnership with community financial institutions; and helping more Americans join or rejoin the workforce by increasing their access to workforce training, community college, paid family leave, and affordable childcare.

- The Regulatory Flexibility Act (RFA) requires federal agencies to assess whether a proposed rule will have a substantial effect on a substantial number of small entities. If so, agencies must consider less burdensome alternatives. Unfortunately, the RFA is often not enforced: agencies have no incentive to consider other alternatives. What can we do to mandate better enforcement of the RFA?

It's not clear which regulations this question is suggesting have not been subjected to the RFA. The SBA's Office of Advocacy reports regularly on its activities under the RFA, which include holding issue roundtables on specific regulatory concerns and security regulatory changes for small businesses when appropriate.

- Please provide an overview of how majority owned is defined under the SVOG program?

SBA is defining majority owned as more than 51% of ownership interests in an entity (regardless of its legal structure) are held by a single individual or entity

- What recommendations do you have for Members of Congress as we examine and study the SBA's existing government guaranteed loan programs including the 7(a) Loan program, the 504/CDC Loan program, and the Microloan program?

SBA continues to appreciate your interest and support for the flagship programs and looks forward to working with you on innovative ways to make the durable programs even better. A high level of communication and collaboration ahead of legislation with both industry and Congress is important to SBA program success.

- Please provide an update on the implementation of the two 504/CDC Loan Program provisions within the Economic Aid Act from December – the 504 Express program and the 504 Refinance tool.

The 504 Refinance tool for CDCs has been implemented and loan activity is expected to increase steadily as the public becomes aware of this option. SBA will soon be implementing the ALP Express Loan authority provided for in the Economic Aid Act.

- Many people have said that the SBA's size standards have allowed larger firms to capture contracts that should be reserved for small firms. In your view, why are the size standards still so problematic, and what is needed to ensure that small firms get the contracts that help to strengthen our nation's industrial base?

SBA has recognized a recent and sharp decline in the number of opportunities for small businesses, but believes the decline is driven less by the effect of any size standard and more by the past failure of agencies to recognize the decline in their base and act

aggressively to reverse and rebuild the base. SBA, in partnership with OMB, has developed bold guidance that is designed to help agencies rebuild their small business supplier base, such as by benchmarking their efforts to increase the number of new entrants and making sure they are reaching small businesses using all available avenues and not relying on centralized solutions where doing so might jeopardize achievement of small business goal achievement. Separately, SBA had conducted analyses of whether there is a shift of contracts under the old size standard to newly qualified firms under higher size standards. The results of the analysis indicated that there have not been significant shifts. Further, in setting size standards, SBA ensures that the calculated size standards do not permit the largest and potentially dominant firms to qualify as small. SBA deviates from the calculated size standard in some industries because the calculated results would designate the largest or potentially dominant firms as small.

- Over the years we, have seen a steady decline in participation among small business contracting community which can be attributed to things like category management and an inhospitable regulatory environment. What are you going to do to reverse this unfortunate trend?

SBA has co-led a governmentwide effort to identify and reverse the causes for the decline in small-business and socio-economic firm participation in government contracting. In coordination with SBA, the White House, and our partner agencies, OMB issued a series of whole-of-government reforms aimed directly at increasing the small business base. The major policy changes are discussed in OMB Memorandum M-22-03:

- (1) increasing the Small Disadvantaged Business (SDB) goal to 11% for FY22, with an end goal of 15% by FY25;
- (2) releasing publicly for the first time disaggregated data on the federal government's FY20 performance in contracting with minority-owned small businesses;
- (3) reforming the Category Management tiering system to provide automatic credit for contracting with socioeconomic small businesses in Tier 2 of Spend Under Management;
- (4) including SBA and the Department of Commerce as voting members on the Category Management Leadership Council so that small business voices are always at the table;
- (5) tracking and identifying best practices for increasing the number of new small business entrants to the federal marketplace; and
- (6) holding agency Senior Executive Service (SES) staff accountable to achieving the Congressionally mandated small business procurement goals by including those goals in their annual performance evaluations.

SBA's leadership and advocacy on these issues was instrumental in shaping policies to reverse the downward trend in small business participation in federal procurement, and the Agency will continue to foster transparency in the process. The national health and resiliency of the U.S. economy is dependent on a strong small business industrial base, and the reforms outlined above are designed to expand the number of firms who can

fulfill the federal government's contracting needs with the agility and innovation uniquely provided by small business.

More generally, we also plan to use our authority under the Small Business Act to "make studies and recommendations to the appropriate Federal agencies to ensure that a fair proportion of the total purchases and contracts for property and services for the Government be placed with small business enterprises." 15 USC 637(b)(11). Such studies might include some of the findings that we shared in our response to GAO Report No. GAO-21-40 regarding small business vendor losses and the decline in new entrants in government contracting.

- Last Congress we held a hearing examining some of the technological issues at the SBA, including its investment in the Certify.sba.gov portal, which was touted as the one-stop solution for all of SBA's federal contracting certification programs. At the hearing, we learned that the SBA is moving away from "Certify", opting to use a commercial cloud-based solution instead. I am concerned with SBA's spending on failed IT projects. Can you tell me first, what is the current status of "Certify", and secondly, if you have any plans to keep the agency accountable and responsible for its IT spending?

SBA has recognized that the challenges with the current Certify system poses a risk that the Agency will not be able to deliver the level of desired support to small businesses seeking certification in one or more of SBA's government contracting and business development programs. Addressing deficiencies in the Agency's certification system environment for these programs is a priority. A joint governance board, comprised of major program and administrative offices, was established in quarter three of FY 2021 and meets every other week to oversee the corrective actions needed to ensure accountability, mitigate risk and improve service delivery capabilities.

SBA has entered into a contract with MITRE to develop an analysis of alternatives which will provide SBA with an independent assessment of the current state. The report will also identify options to evolve the Agency's systems to better support its small business clients seeking certification; improve data collection and application processing efficiencies; reduce risk of fraud and provide a better platform for integration of SBA's existing certification program while creating a platform for the eventual assimilation of the Veteran's Administrations' CVE program. Upgrading beyond the current Certify system is critical to the SBA being able to establish a single integration platform for use by all of its contracting certification programs that will improve operational efficiencies; quickening decision times; strengthening program oversight; and delivering a higher quality customer experience.

- Even though the federal government has met most of its small business goals consistently over the past several years, one goal it continues to miss is the HUBZone goal. Do you have any plans to help encourage agencies to meet their HUBZone goals?

In December 2019, SBA published the most comprehensive set of rule changes to modernize the HUBZone program. These rules not only helped firms to more easily maintain their HUBZone status, but also focused on making it easier for contracting

officers to utilize the HUBZone program by eliminating unnecessarily burdensome requirements. We work closely and continuously with Federal Agencies to brief contracting officers on the program changes and benefits, and we continue to see an increase in scorecard goal achievement. We have a new fact sheet and video specifically targeted to contracting officers to help them better understand how to use the program and will be reaching out to all agencies to make them aware of these new resources.

- We all want to help as many small business owners as possible. To stretch federal dollars, we need to discourage duplication of federal government resources for entrepreneurs. What steps can be taken to reduce the overlap among the SBA's resource partner programs?

We've found that the Women's Business Center (WBC), SCORE, and Small Business Development Centers (SBDCs) programs engage very specific types of entrepreneurs. The WBC and SCORE programs primarily engage entrepreneurs in the pre-market phases of business development, with WBCs focused specifically on women entrepreneurs. SBDCs focus on those entrepreneurs that are launched and focus on the growth of their ventures. The focus on the needs of entrepreneurs at specific stages in the business launch process functionally limits duplication in OED administered federal entrepreneurship programs.

In addition, our resource partners, they are all engaged in local ecosystem building to support, along with our field offices, small businesses with the support they need. We believe that the cooperative approach has been the most valuable. We make sure that all our departments collaborate with these resource partners and have open communication to ensure that they're positioned to support small businesses. Our field offices are critical in bringing them all together.

- As you are probably aware, multiple federal agencies, such as the Department of Agriculture and the Department of Veterans Affairs, provide programs to assist entrepreneurs. Is it wise to have so many programs that offer the same or similar services, when entrepreneurs tell us they don't know where to begin when starting a small business?

It is my view that SBA is the go-to resource for entrepreneurs. With 68 district offices spread across the country, the SBA educates entrepreneurs daily on what resources the federal government has to offer, including those through other agencies. Sometimes, Congress may determine that consolidation measures are appropriate. SBA is currently in the process of receiving the transfer of the VA's Center for Verification and Evaluation (CVE), which certifies service-disabled veteran-owned small businesses (SDVOSB) and veteran-owned small businesses.

- Small business owners tell us that the myriad of federal small business programs is both daunting and confusing. What ways can the SBA reduce confusion for beginning entrepreneurs? Do you think other federal agency programs are duplicative of the SBA's programs?

A top priority of mine is improving the customer experience of small business owners who approach the SBA. To that end, we are working on improving the technology experience of those who visit SBA.gov, enhancing the experience of those who visit an SBA district office or resource partner. In most cases, programs at other agencies, such as USDA, serve a niche purpose that complements the services provided by SBA.

- On May 17, 2021, the SBA announced a new \$2.7 million Women's Business Center Resiliency and Recovery Demonstration Grant. In light of a recent IG report on flagrant fraud within WBCs, how is it prudent to release a new grant opportunity for the program?

I am satisfied and encouraged that the Office of Women's Business Ownership has taken steps to resolve the IGs findings to prevent fraud, waste, and abuse. There were 10 findings in the IG report, and we've made strides in resolving them. Most recently, we implemented Grant Solutions, a platform that will help us clarify the public funding opportunity announcement to potential applicants, which will improve transparency into the review and decision-making process.

It is not only prudent, but also vital to our women's entrepreneurship programs at this time, as women's business owners dropped by 25% between February and April 2020. When you consider that women entrepreneurs are the fastest growing segment of entrepreneurs, it underscores the importance of these grants as much-needed support for women business owners who have been disproportionately impacted by the pandemic, at this critical time of recovery.

The Women's Business Center Resiliency and Recovery Demonstration Grant will bolster our efforts by establishing new, evidence-based, innovative projects that aim to improve service delivery, training, and support provided to women-owned businesses impacted by COVID-19.

CONCERNED
WOMEN *for* **AMERICA**
 LEGISLATIVE ACTION COMMITTEE

June 21, 2021

The Honorable Nydia Velázquez
 Chairwoman
 House Small Business Committee
 United States House of Representatives
 Washington, D.C. 20515

The Honorable Blaine Luetkemeyer
 Ranking Member
 House Small Business Committee
 United States House of Representatives
 Washington, D.C. 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer,

As CEO and President of Concerned Women for America Legislative Action Committee (CWALAC) and on behalf of our hundreds of thousands of members and supporters across America, I implore this committee to demand full transparency and accountability from the Small Business Administration (SBA) on the distribution of Paycheck Protection Program (PPP) loans to Planned Parenthood Federation of America (PPFA).

We have witnessed the Biden Administration obstruct proper Congressional oversight time and time again, and CWALAC refuses to sit idly by while hard-earned taxpayer dollars are funneled towards the destruction of human life—all under the guise of COVID-19 small business relief.

During her confirmation hearing, SBA Administrator Isabella Casillas Guzman promised to review and enforce PPP eligibility requirements to address numerous reports of unlawful loan approvals, including \$80 million in aid to nearly 40 PPFA affiliates. Funding continued to flow unchecked to these ineligible entities when she took office.

Under Administrator Guzman's leadership, SBA approved at least \$17 million in additional loans to PPFA, including a \$10 million loan to its Greater New York affiliate just before the program exhausted funds and closed entirely. Consider how many mom-and-pop main street businesses could have benefited from those dollars. According to agency reporting, the overall average loan size for 2021 PPP lending was \$42,000.¹ Approximately 238 small businesses were sacrificed to federally finance that one abortion business alone.

We ask that the committee continue to seek answers as to how such large sums of pandemic aid were awarded without deference to program rules or longstanding safeguards like the Hyde Amendment, which prohibits federal funding of abortions in most cases. SBA leadership under the Trump Administration issued formal correspondence to PPFA requesting that PPP funds be returned. As of today, that request has yet to be fulfilled. Furthermore, SBA repeatedly fails to provide complete, accurate metrics on loans specifically made to PPFA, thus limiting the ability of your committee to adequately perform its oversight responsibility and pursue preventive reforms. This is unacceptable.

¹ https://www.sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf

Congress and the American people deserve the truth. We cannot stop until these egregious cases are resolved, taxpayer dollars are returned, and those engaging in fraudulent behavior are brought to justice.

Sincerely,

Penny Young Nance
CEO and President
Concerned Women for America LAC



Jim Nussle
President & CEO

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99 M Street SE
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May 26, 2021

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

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "An Examination of the SBA's Covid-19 Programs." The Credit Union National Association (CUNA) represents America's credit unions and their more than 120 million members.

Credit unions were proud participants in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). In fact, some credit unions were so eager to help their members through this program that they participated even though they had no previous relationship with the SBA. The PPP has played an important role in keeping small businesses and their employees afloat during this crisis. Credit unions helped Main Street America by facilitating more than 200,000 PPP loans that averaged just \$47,000.

Hold SBA Accountable for Limiting Access to PPP

The quick implementation and slow bureaucracy at the SBA lead to significant and well documented problems for even the most experienced SBA lenders. When the PPP was established under the CARES Act, privately insured credit unions were inadvertently excluded from the list of depository financial institutions as eligible lenders. The passage of the Paycheck Protection Program and Health Care Enhancement Act corrected the original definition of a "credit union" under the CARES Act from a federally insured institution to include all state and federally chartered credit unions.

As state-chartered, privately insured credit unions began to submit applications to participate in the PPP, their applications were left idle for months, with little or no response from the SBA on their status, except that the application was "under review." Many of these credit unions never receive a response from the SBA and were unable to participate in PPP and offer critical support to their members in time of need. Ultimately, the SBA response was that the United States Treasury (UST) and SBA review teams did not approve these applications because they did not meet the requirements of the Non-Federally Regulated Lender (NFRL), and that the UST chose not to send decline letters to lenders who did not qualify.

We believe this was a considerable misinterpretation of qualified lenders under the PPP and urge Congress to hold the SBA accountable for blocking privately insured credit unions from accessing PPP funding to help their members during such a critical time.

cuna.org

Urge SBA to Provide Certainty for PPP Loan Forgiveness Applications

There is a large backlog of outstanding PPP loan forgiveness applications that have not received a response from the SBA. Under the SBA's own Interim Final Rule, the SBA is required to issue a decision within 90 days after a forgiveness application has been received¹. Despite the Interim Final Rule, businesses and financial institutions are waiting well past the deadline for a response.

While we understand there is a high volume of loan forgiveness applications, small businesses and financial institutions need certainty on the status of their applications. We urge SBA to address these delays with loans forgiveness applications and to ensure that SBA has adequate staff in place to provide customer service in the coming months.

Financial Inclusion Ensures the Survival of America's Small Businesses

One of the most important things that Congress could do to promote financial inclusion and help small businesses would be to ensure that federal law permits all federal credit unions to serve underserved areas. Under current law, only multiple common bond credit unions are eligible to add underserved areas to their field of membership. In addition, credit unions are also arbitrarily restricted in the amount of business lending that they can provide to 12.25 percent of assets. Lifting that cap would ensure small businesses would be able to access the capital they need.

That said, CUNA strongly supports the *Expanding Financial Access for Underserved Communities Act*, which would allow all federal credit unions to add underserved areas to their field of membership and exempt business loans made by credit unions in low-income areas from the credit union member business lending cap. Furthermore, the legislation expands the definition of a low-income credit union to include any area that is more than 10 miles from the nearest branch of a financial institution.

Credit unions recognize that financial inclusion and access to capital are critical to ensuring the survival of many of our nation's most vulnerable small businesses. As not-for-profit, consumer-owned financial cooperatives credit unions have a laser-focus on our mission of financial inclusion and serving our members.

Small businesses and communities around the country are suffering and need access to relief. As you continue your work to provide funding and resources to our small businesses, I would encourage you to support the *Expanding Financial Access for Underserved Communities Act* to ensure credit unions are able to fully serve their communities.

Sincerely,



Jim Nussle
President & CEO

¹ <https://www.sba.gov/sites/default/files/2021-01/PPP%20-%20IFR%20-%20Loan%20Forgiveness%20Requirements%20and%20Loan%20Review%20Procedures%20%281.19.2021%29-508.pdf>

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

BLAINE LUETKEMEYER, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2501 Rayburn House Office Building
Washington, DC 20515-0515
April 4, 2021

The Honorable Isabella Casillas Guzman
Administrator
United States Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Administrator Guzman:

I appreciate the response to my letter dated March 19, 2021 regarding identity theft concerns within the Economic Injury Disaster Loan (EIDL) program and its corresponding grants. Given the importance of safeguarding hard-earned American taxpayer dollars, I wanted to follow-up on a few items:

- Within your response to my question on how many applications have been flagged for identity theft concerns within EIDL and its corresponding grant offerings, you identified that there have been 117,281 loans and 118,080 Advances that have resulted in identity theft. Thank you for providing this information. I am interested in learning how many EIDL loan and Advance applications have had an Agency Hold and/or Funding Hold placed on them. Additionally, once an Agency Hold and/or Funding Hold is placed on an application, on average how long does it take to clear the Hold?
- Please compare the control framework that the Small Business Administration (SBA) will use for the Restaurant Revitalization Fund Grant program with the control framework used within the Shuttered Venue Operators Grant (SVOG) program. Please detail any controls that might differ between the programs.
- In your response to my question on how the SBA is allocating resources, in terms of dollars and staff, to conduct oversight, you outlined that the SBA established an oversight board as well as detailing two funding amounts. Thanks for providing this information. However, I am interested in learning how many staff the SBA has dedicated to oversight. In your response, you state that "In addition, significant effort by SBA staff in the offices of Disaster Assistance and Capital Access, along with contractors that have been retained for loan and forgiveness review procedures, are all focused on fraud prevention and detection. SBA is unable to determine the exact payroll cost and effort of these staff as they are not exclusively assigned to oversight, but the amounts are

significant.” Please provide to me the number of staff and the number of contractors dedicated to oversight of the EIDL program, including its grant offerings.

- When responding to my question on whether the SBA has implemented the recommendations offered by the SBA’s Office of Inspector General and the Government Accountability Office, you responded by stating, “Yes. SBA has leveraged technology and implemented data validations and system controls to mitigate waste, fraud, and abuse that in many cases go far beyond the recommendations received from the OIG and GAO.” Please list all of the recommendations and provide a detailed response outlining the steps you have taken to implement each recommendation.

Due to the significant amount of dollars flowing through these programs and with new programs set to be launched in the near future, I am requesting that you provide me with specific answers to the above questions by April 16, 2021. If you have any questions about this request, please contact David Planning, Republican Staff Director, at (202) 225-5821.

Sincerely,



Blaine Luetkemeyer
Ranking Member

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

BLAINE LUETKEMEYER, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2501 Rayburn House Office Building
Washington, DC 20515-0515

April 16, 2021

The Honorable Janet L. Yellen
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Isabella Casillas Guzman
Administrator
United States Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Dear Secretary Yellen and Administrator Guzman:

In a time of economic uncertainty, the United States Congress created the Paycheck Protection Program (PPP) to assist the nation's small businesses as they confronted the challenges of COVID-19. While the program, which focuses on employees, continues to provide confidence and financial assistance to the nation's job creators, we are gravely concerned about affiliates of Planned Parenthood Federation of America (Planned Parenthood), which is the nation's primary abortion provider, accessing the program.

In the Small Business Administration's (SBA) own public database,¹ there are numerous examples showing that affiliates of Planned Parenthood have utilized the program. Row after row of information demonstrates that Planned Parenthood affiliates have received direct PPP funding. This is extremely troubling.

The well-established SBA affiliation rules² outline how the SBA determines how closely connected two entities are. The rules detail that "entities are affiliates of each other when one controls or has the power to control the other."³ While the SBA's affiliation rules are well known to participants of the SBA's existing and traditional programs, the rules were also applied

¹ <https://www.sba.gov/funding-programs/loans/covid-19-relief-options/paycheck-protection-program/ppp-data>

² 13 C.F.R. 121.103.

³ *Id.* at (a)(1).

to the PPP through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.⁴ Moreover, the SBA and the Department of the Treasury published guidance titled Affiliation Rules Applicable to U.S. Small Business Administration Paycheck Protection Program⁵ on April 3, 2020, the day the program commenced.

Through blatant and well-documented control of its local offices,⁶ Planned Parenthood and its affiliates have violated the SBA's affiliation rules and received millions in taxpayer funds intended for small business relief since the initial authorization of the PPP. It is wholly unjustifiable and inexcusable that the SBA and the Department of the Treasury continue to allow PPP loans for organizations that are unqualified for such funding. It displays a level of complicity that is intolerable and inappropriate. Federal agencies must be trustworthy and responsible stewards of Americans' hard-earned tax dollars.

As a result, we insist that the SBA and the Department of the Treasury investigate 1.) the distribution of these loans in violation of the relevant affiliation rules and 2.) whether Planned Parenthood violated the law. Should this investigation conclude that these events did indeed occur, those that deliberately violated the law must face the appropriate legal consequences. Additionally, on March 30, 2021, the President signed the PPP Extension Act⁷ that extended the PPP for two additional months. While this will benefit many deserving and eligible candidates, we are concerned that this extension will give remaining Planned Parenthood affiliates time to obtain additional funds from the program unlawfully and ultimately take away funds from struggling small business owners.

In addition to demanding an investigation into this matter, we are also requesting that you provide specific answers to the following questions by April 30, 2021:

- How many Planned Parenthood affiliates have received a PPP loan? Please detail the number of first draw loans vs. second draw loans. Additionally, please provide the dollar amount associated with each loan.
- Please detail the steps the SBA and the Department of the Treasury took once it was known that an ineligible Planned Parenthood affiliate received a PPP loan.
- Despite being ineligible due to violating the affiliation rules, how and why did any Planned Parenthood affiliate receive a PPP loan? Please provide a detailed response.
- How many Planned Parenthood affiliates applied for PPP loan forgiveness? Please provide a status update on where these applications are in the forgiveness process. Please indicate if any forgiveness has been remitted on a Planned Parenthood affiliate PPP loan and the amount that was remitted.

⁴ 15 U.S.C. § 636(a)(36)(D)(vi). "The provisions applicable to affiliations under section 121.103 of title 13, Code of Federal Regulations, or any successor thereto, shall apply with respect to a nonprofit organization and a veterans organization in the same manner as with respect to a small business concern."

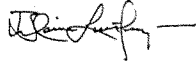
⁵ <https://home.treasury.gov/system/files/136/Affiliation%20rules%20overview%20%28for%20public%29.pdf>.

⁶ https://projects.propublica.org/nonprofits/display_990-1316441-17-2009-05_LCO%2F13-16441-17_990_200806.

⁷ Pub. L. No. 117-6 (2021).

We will continue to monitor this issue vigilantly. While our nation continues to recover from the devastating impact of the COVID-19 pandemic, the SBA and the Department of the Treasury must ensure the letter of the law and its rules are followed according to Congressional intent. This critical program was created to serve America's small businesses, not the nation's most tragic abortion provider.

Sincerely,



Blaine Luetkemeyer
Ranking Member
Committee on Small Business



Byron Donalds
Member of Congress

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

BLAINE LUETKEMEYER, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2501 Rayburn House Office Building
Washington, DC 20515-0515

May 26, 2021

The Honorable Janet L. Yellen
Secretary
United States Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

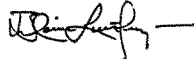
Dear Secretary Yellen:

As you and your staff know, the bipartisan Consolidated Appropriations Act of 2021 requires you by law to testify before the House Committee on Small Business regarding the implementation of the Act and the amendments made by the Act no later than 120 days after enactment of the legislation. This 120-day deadline expired nearly one month ago.

It is severely troubling that you would rather defy the law than appear before our Committee to discuss these important small business recovery programs. The programs and your legal obligations to this Committee should be of the highest priority to you and your Department, but sadly to date, we have seen no such evidence that you take these responsibilities seriously.

We are requesting that you provide us with your availability for the month of June no later than May 28, 2021. This matter is of the utmost importance and timeliness to American small businesses – please do not ignore this request as you have done so with similar scheduling requests this year.

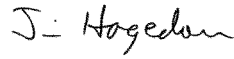
Sincerely,



Blaine Luetkemeyer (MO-3)
Ranking Member
Committee on Small Business



Roger Williams (TX-25)
Vice Ranking Member
Committee on Small Business



Jim Hagedorn (MN-1)
Member of Congress



Pete Stauber (MN-8)
Member of Congress



Dan Meuser (PA-9)
Member of Congress



Claudia Tenney (NY-22)
Member of Congress



Andrew Garbarino (NY-2)
Member of Congress



Young Kim (CA-39)
Member of Congress



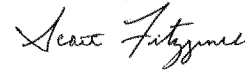
Beth Van Duyne (TX-24)
Member of Congress



Byron Donalds (FL-19)
Member of Congress



Maria Salazar (FL-27)
Member of Congress



Scott Fitzgerald (WI-5)
Member of Congress



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nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

May 25, 2021

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

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing, "An Examination of the SBA's Covid-19 Programs"

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's oversight hearing to examine the Small Business Administration's (SBA) COVID-19 relief programs. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 124 million consumers with personal and small business financial service products. We thank you for providing credit unions with important tools, such as the Paycheck Protection Program (PPP), to help their small business members during this pandemic. We would like to take this opportunity to share how credit unions have been able to help their communities through the PPP, as well as our recommendations to ensure maximum efficacy of the program in what we hope is the homestretch of this pandemic.

As we have previously written, throughout the pandemic, credit unions have been able to extend desperately needed liquidity through the PPP to small businesses that were not able to get help, or were turned away, from other types of institutions. We would like to reiterate our thanks to the Committee for working to ensure that credit unions were able to participate in this program and receive dedicated windows to process loan applications to ensure that their small business members were not left out.

While we appreciate Congress acting at the end of last year to simplify the forgiveness process, we would also like to reiterate that the forgiveness process through SBA remains cumbersome and urge you to implore the SBA to continue to streamline this process. We have heard from many of our members that the loan forgiveness process is still in need of administrative simplification and there has been an inconsistency in the length of time SBA is taking to administer forgiveness and to review denials.

Additionally, with PPP funding nearing its end, we believe it is important for the SBA to be very transparent on the amount of remaining funds, so lenders and borrowers have realistic expectations. We also believe that Congress should consider other methods to continue to help small businesses post-PPP, such as legislation to exclude credit union member business loans made in response to COVID-19 relief from the credit union member business lending (MBL) cap. We urge you to support H.R. 1471, the *Access to Credit for Small Businesses Impacted by the COVID-*

The Honorable Nydia Velázquez, The Honorable Blaine Luetkemeyer
May 25, 2021
Page 2 of 2

19 Crisis Act of 2021, introduced earlier this year by Representatives Brad Sherman (D-CA) and Brian Fitzpatrick (R-PA). Additionally, National Credit Union Administration (NCUA) Board Chairman Todd Harper and Board Member Rodney Hood have voiced their support for MBL cap relief as a step to make it easier for credit unions to do more to help small businesses in light of the pandemic. We urge Congress to act on this commonsense proposal to extend longer term liquidity to small businesses without costing the taxpayer.

We thank you for the opportunity to reiterate our perspective on the important work the SBA has been doing in advance of this hearing. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at lplush@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Small Business Committee



May 25, 2021

The Honorable Nydia Velázquez
Chair
U.S. House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
U.S. House Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

RE. SBIA Comments: "An Examination of the SBA's COVID-19 Programs"

Dear Chair Velázquez and Ranking Member Luetkemeyer:

The Small Business Investor Alliance ("SBIA") is the national association representing small business funds and their investors, including Small Business Investment Companies ("SBICs"). Since 1958, SBIA has been an active partner with SBA to promote small business growth, capital access, job creation, and entrepreneurship, principally through the SBA's SBIC program.

Thank you for holding this important hearing examining the SBA's Covid-19 programs. With the support of Congress, the SBA under former Administrator Carranza did an extraordinary job under extraordinary circumstances setting up and executing some of the largest government aid programs in American history in a matter of weeks. These massive emergency actions saved tens of millions of jobs and millions of small businesses. Administrator Guzman has inherited an agency that is operating an unprecedented number of new programs set up in a nearly inconceivably short amount of time. The political leadership of Administrators Carranza and Guzman and career staff at SBA deserve recognition for their heroic efforts administering these rescue programs. Making the set up and success of these programs even more improbable was the fact that SBA was and continues to be chronically understaffed with an anemic technology budget and archaic technology tools. As these programs are reviewed, we ask that policymakers: (1) recognize the crisis conditions under which these programs were formed and executed, which resulted in imperfections stemming from economic battlefield triage; (2) quickly and cleanly close out these emergency programs as the pandemic ends; and (3) support existing SBA programs with technology, personnel, and oversight to ensure the SBA is able to support forming and growing small businesses on a going forward basis.

Close Out the PPP with Timely Loan Forgiveness

The PPP loan program was a lifeline for millions of small businesses during the pandemic. It worked. Many small businesses that secured PPP loans in excess of \$2 million and used those funds to retain employees that otherwise would have been laid off have documented in loan forgiveness applications their need and how they used the funds for the Congressionally authorized purposes. They have submitted their loan forgiveness applications as far back as August 2020 and have had the lenders recommend loan forgiveness. However, we know of none that have received forgiveness. This inaction by SBA runs contrary to the 90-day timeframe required by statute for final action on loan forgiveness applications. These applicants can and have documented everything required by the statute and the regulations for SBA to review. It is important for policymakers to know that having these PPP loans linger unforgiven is hindering small businesses

from taking on additional conventional loans, causing questions about whether they are violating the loan covenants with their banks, and generally placing them in a very vulnerable position with their creditors. We urge the government to provide forgiveness consistent with the statute.

Transitioning Focus to a Post Pandemic Economy

As the pandemic ends, small businesses will need an effective SBA to provide the help they need. The SBIC program is a market-driven program that is one of the best, most cost-efficient job creating tools in the government.¹ SBICs have empowered small businesses to create millions of jobs across the country. To succeed, the SBIC program needs an appointed leader to serve as Associate Administrator for the Office of Investment and Innovation. Staffing shortages in the Office of Investment and Innovation are severe and are not conducive to capital access or healthy oversight. For example, the frontline regulators are supposed to be monitoring and regulating 10-12 SBIC funds, but they are so short staffed that they are drowning with an impossible 45+ funds per operations analyst. We encourage Congress to provide the necessary resources, both human and technological, to ensure SBA is able to best serve the public.

As Congress and the Administration contemplate next steps to help small businesses emerge from the pandemic-induced economic slowdown, SBIA recommends modifying the existing SBIC investment program to fill ongoing market gaps. SBIA supports the creation of a MicroCap SBIC license to encourage formation of more small funds providing smaller dollar amounts in smaller markets. A MicroCap SBIC license would also expand inclusivity while maintaining the successful market-driven SBIC model. SBIA also supports empowering SBICs to provide more long-term patient capital in the form of equity investments than they are permitted to do today. Equity capital is the most patient form of capital and the hardest for small businesses to access.

SBIA thanks you for your leadership of the Committee and for your pursuit of bipartisan solutions to help America's small businesses. We look forward to working with you throughout the 117th Congress to help spur America toward a full economic recovery.

Sincerely,



Brett Palmer
President

¹ An independent study prepared for the Library of Congress found that SBIC-backed small businesses created almost 3 million new jobs and supported an additional 6.5 million jobs over the 20-year period of their study.

Secretary Yellen Schedule*April-June 2021***Post-Deadline Events****June 4-5, 2021:** London, England G-7 finance meeting**May 26, 2021:** Secretary of the Treasury Janet L. Yellen to Chair Meeting of the Financial Literacy and Education Commission**May 18, 2021:** U.S Chamber of Commerce Economic Forum**May 18, 2021:** READOUT: Secretary of the Treasury Janet L. Yellen's Meeting with the American Bankers Association Board of Directors**May 18, 2021:** Remarks by Secretary of the Treasury Janet L. Yellen at the Summit on Financing African Economies**May 14, 2021:** Remarks by Secretary Janet L. Yellen at the Pontifical Academy of Sciences and the Pontifical Academy of Social Sciences Event Dreaming of a Better Restart**May 11, 2021:** Democratic Women's Caucus Event**May 4, 2021:** Wall Street Journal CEO Council Summit**May 4, 2021:** The Atlantic's "Future Economy Summit"**April 28, 2021:** READOUT: Secretary of the Treasury Janet L. Yellen's Meeting with Members of the Retail Industry Leaders Association**Pre-Deadline Events (Month-Of)****April 22, 2021:** Remarks by Secretary of the Treasury Janet L. Yellen at the Leaders Summit on Climate**April 21, 2021:** Secretary of the Treasury Janet L. Yellen's Remarks to the Institute of International Finance**April 16, 2021:** READOUT: Secretary Yellen and Deputy Secretary Adeyemo's Meeting with Environmental Organizations on Corporate Tax Reform**April 15, 2021:** Readout: Secretary Yellen and Gene Sperling's Meeting with NGA Executive Committee

April 6, 2021: Remarks by Secretary Janet Yellen, World Bank President David Malpass, and IMF Managing Director Kristalina Georgieva in Conversation at the 2021 Spring Meetings, "Economic Recovery: Toward a Green, Resilient, and Inclusive Future"

April 6, 2021: Remarks by Secretary of the Treasury Janet L. Yellen addressing the threat of climate change to the Coalition of Finance Ministers for Climate Action

April 6, 2021: READOUT: Secretary of the Treasury Janet L. Yellen's Briefing with the House Democratic Caucus

April 5, 2021: Remarks by Secretary of the Treasury Janet L. Yellen on International Priorities to The Chicago Council on Global Affairs