

**Congress of the United States**  
**Washington, DC 20515**

April 10, 2020

The Honorable Steven Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

The Honorable Jovita Carranza  
Administrator  
Small Business Administration  
409 3rd Street, SW  
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza,

The City of New York's small businesses and entrepreneurs are suffering immensely as a result of the Coronavirus (COVID-19). Since March 22, New York has been under a statewide stay-at-home order to slow the spread of the novel Coronavirus to help flatten the curve. This order effectively shuttered all non-essential small businesses throughout the city. In New York, 98 percent of all businesses are small, with fewer than 100 employees, and 89 percent are very small employing fewer than 20 individuals. The impact of the pandemic on our local economy is dire and can be seen in the 810,000 unemployment claims made by New Yorkers since March 9<sup>th</sup>.<sup>1</sup>

To address the unprecedented challenges facing small businesses, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a \$2.2 trillion stimulus bill, which contains funding for a wide range of programs designed to help respond to the economic downturn caused by the COVID-19 pandemic. Specific to the SBA and our small business owners, Congress created a new loan forgiveness program and grants to help keep small businesses afloat during this unprecedented crisis.

The Paycheck Protection Program (PPP) received \$349 billion in funding to inject into our nation's struggling small businesses. The program will provide forgivable, low-interest loans to small businesses to pay employees, keep them on the payroll, and keep the businesses viable. To that end, Congress created basic requirements, including eligibility, loan size, and forgiveness criteria, to reach small businesses as quickly as possible while also providing lenders with the tools they need to deliver this vital support.

The CARES Act also created a new, immediate disaster grant at the SBA. Using the current economic injury disaster loan (EIDL) program, these grants were designed and intended to deliver a quick infusion of capital, based simply on applicants self-certifying that they are eligible. Further, grant recipients are not precluded from applying for PPP loans or continuing to pursue disaster loans.

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<sup>1</sup> Edwards, Jesse, "NY Launching New Unemployment Site That Won't Require Phone Call, 200K NYers Still in Limbo", NBC New York, accessed on April 9, 2020, <https://www.nbcnewyork.com/news/local/ny-to-launch-new-unemployment-site-that-doesnt-require-phone-call-more-than-200k-new-yorkers-still-waiting/2367386/>

We are concerned that these programs are not being implemented as Congress intended. Beginning on Tuesday, March 31<sup>st</sup>, the SBA and the Treasury Department posted guidance on their websites to implement the PPP.<sup>2</sup> Since then, due to the lack of formal Standard Operating Procedures, borrowers and lenders have been forced to rely on an incomplete and ever-changing list of questions and answers issued by your agencies. Unfortunately, this guidance continues to leave out vital information about eligibility of businesses and nonprofits, guidance for lenders on how to close loans, and adds new requirements that were not part of the law.

Of particular concern, the SBA adopted the “first-come, first serve rule,” which provides no assurances that the most vulnerable small businesses will have access to the forgivable loans. Coupled with reports that many lenders are currently only making PPP loans to their existing customers, we fear that without full guidance, traditionally underserved small businesses in urban areas hit hard by the pandemic, like New York City, will be left behind. The guidance also established a 75/25 percent rule that could conceivably limit the amount of loan forgiveness for small businesses, particularly those in New York City with steep rents. We need to ensure the program will be there and workable for New York’s microbusinesses - the shops and corner stores that are woven into the fabric of our communities.

Turning to the EIDL grants, which Congress intended to provide a quick infusion of cash to help small businesses pay their rent and other bills, SBA has failed to issue final guidance and award grants in a manner consistent with Congressional intent. The SBA has metered the amount of the EIDL grant to \$1,000 per employee, even though Congress specifically stated that the applicant, not the agency, has the sole authority to determine how much grant money they receive up to \$10,000. Moreover, the law requires SBA to issue advances within three days of receipt of applications, yet small business owners say they are still waiting weeks after applying.

The SBA has also been plagued by IT system issues that have contributed to delays in making loans. We have heard numerous reports about the Etran system crashing which prevents lenders from processing loans. Constituents have also reported being kicked out of the EIDL system and having to restart the time-consuming process of applying for a disaster grant.

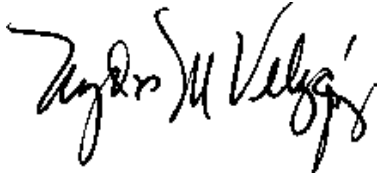
Finally, the SBA has lacked transparency in reporting results from these programs to Congress and the American people. At a time when swift execution is required to stem this economic crisis, it is imperative that we know details on program implementation. The SBA must establish a daily tracking of key data and information such as how many loans and grants are being processed by participating lenders and the agency, how much money is being allocated to small businesses, size of businesses served, demographics of business owners, and geographic distribution of awards across the country. This reporting is central to our Congressional oversight responsibilities to ensure program performance. Furthermore, we need to know the spend rates in these programs so action can be taken to appropriate the necessary funds to ensure all eligible small businesses have access to this critical assistance.

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<sup>2</sup> Assistance for Small Businesses, U.S. Department of the Treasury, accessed on April 9, 2020 at <https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses> ; Coronavirus (COVID-19): Small Business Guidance & Loan Resources, U.S. Small Business Administration, accessed on April 9, 2020 at <https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>

These are just a few of the many issues that we are hearing from small business owners and lenders in our communities. In sum, we are deeply troubled by the lack of clear, coherent guidance for small businesses during this crisis, and we urge you to release formal comprehensive Standard Operating Procedures immediately to put all small businesses on an equal playing field and give lenders the clarity they need to process and disburse loans. We further request that you provide Congress with daily reporting on SBA's programs in response to the COVID-19 pandemic.

Sincerely,



Nydia M. Velázquez  
Member of Congress



Charles Schumer  
United States Senator



Kirsten Gillibrand  
United States Senator




Jerrold Nadler  
Member of Congress



Yvette Clarke  
Member of Congress



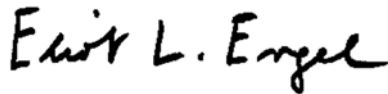
Hakeem Jeffries  
Member of Congress



Alexandria Ocasio-Cortez  
Member of Congress



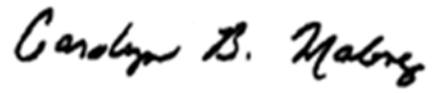
Thomas R. Suozzi  
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Eliot L. Engel  
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Grace Meng  
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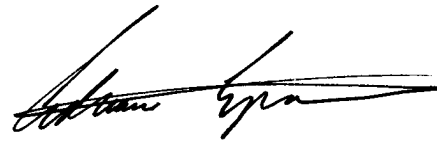
Carolyn B. Maloney  
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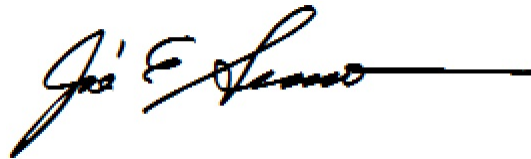
Kathleen M. Rice  
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