

Congress of the United States
House of Representatives
Washington, DC 20515-4602

April 13, 2020

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

Dear Administrator Carranza,

I write on behalf of the 12,400 small businesses in Virginia's Second Congressional District, and the 115,000 people they employ, regarding serious problems with the implementation of Small Business Administration (SBA) relief programs under the CARES Act.

The CARES Act established the Paycheck Protection Program to provide small businesses and nonprofits forgivable loans to cover payroll and other costs for an eight-week period. Business owners in my district have recounted difficulties at every step of applying for and receiving a PPP loan. Additionally, local banks are contending with confusing and constantly evolving guidelines on how to submit a loan to SBA. Small businesses cannot afford for long lag times between applying for and receiving these funds.

In addition to questions about the application process, I am concerned that SBA's requirement that 75% of the forgivable portion of the PPP loan go toward payroll costs was arbitrary and ignores congressional intent under the CARES Act. As you acknowledge in your Interim Final Rule, the CARES Act clearly states that both payroll costs and covered non-payroll costs such as mortgage interest, rent, and utilities, can be fully forgiven under the PPP.¹ SBA's decision to substitute its own judgment for that of Congress will prove especially harmful to businesses with high equipment or real estate costs, such as those in the aquaculture and hospitality industries.

I also have concerns regarding the administration of SBA's Economic Injury Disaster Loan (EIDL) Emergency Advance grant. Section 1110 of the CARES Act allows small businesses to request an emergency EIDL grant of up to \$10,000 within three days of applying for a loan under the EIDL program. The law states that an applicant shall not be required to pay back this grant, even if the applicant's EIDL application is subsequently denied. Many local small business owners confirm that they have not received the EIDL emergency grant within three days. Some constituents have been waiting well over a week without seeing any funding. The SBA website

¹ Small Business Administration, "Business Loan Program Temporary Changes; Paycheck Protection Program" https://www.sba.gov/sites/default/files/2020-04/PPP--IFRN%20FINAL_0.pdf

now merely says that applicants will receive their grant funding “within days of a successful application.”²

The median small business has enough cash reserves to last only 27 days.³ Many nonessential businesses in Virginia have been closed since March 23rd, which means many small businesses are less than two weeks away from running out of cash.⁴ To that end, I respectfully request responses to the following questions by no later than Monday, April 20:

1. What steps are being taken to make it easier and faster for small businesses and their lenders to submit PPP loan applications?
2. How quickly can small business owners expect to receive a PPP loan once their application is submitted?
3. Will businesses receive a clear notification that informs them that their PPP application has been accepted and when they will receive their funds?
4. Will SBA waive or modify the requirement that 75% of the forgivable portion of a PPP loan cover payroll costs for businesses with high fixed costs and low payroll costs?
5. Will SBA provide any further flexibility with regards to its affiliation rules, especially for businesses in the healthcare industry?
6. What is causing the delay in EIDL emergency grant disbursement?
7. When will businesses that apply for an EIDL emergency grant receive their funding?

I recognize that implementing these programs on a short timeline is challenging, but for many small businesses these funds could be the difference between staying in business and having to shut down forever. Thank you for your prompt attention to these questions.

Sincerely,



Elaine G. Luria
Member of Congress

² Small Business Administration, “Economic Injury Disaster Loan Emergency Advance”
<https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/economic-injury-disaster-loan-emergency-advance>

³ JPMorgan Chase and Co. Institute, *Cash is King: Flows, Balance, and Buffer Days*. September 2016.
<https://www.jpmorganchase.com/corporate/institute/document/jpmc-institute-small-business-report.pdf>

⁴ EO-53 Temporary Restrictions on Restaurants, Recreational, Entertainment, Gatherings, Non-essential Retail Businesses, and Closure of K-12 Schools Due to Novel Coronavirus (COVID-19)
<https://www.governor.virginia.gov/executive-actions/>