



U.S. Small Business
Administration

**Statement of Jovita Carranza
Administrator
U.S. Small Business Administration**

**before the
Senate Committee on Small Business & Entrepreneurship
Hearing on “Implementation of Title I of the CARES Act”**

June 10, 2020

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Good morning, Chairman Rubio, Ranking Member Cardin, and members of the committee. Thank you for inviting me to testify today.

The CARES Act established extraordinary programs for the U.S. Small Business Administration (SBA), and the agency's work over the last two months has been unprecedented in comparison to the SBA's previous annual operations. Let me take an opportunity to outline that work for you and report on our progress.

The primary focus of Title I of the CARES Act is the Paycheck Protection Program (PPP), as laid out in Sections 1102 and 1106. Since passage of the Act, the agency has worked tirelessly with the Department of the Treasury (Treasury) to stand up a multi-billion dollar small business economic relief program. The agency rolled out the program six days after enactment of the CARES Act, and we continue to manage a program that has provided over 4.5 million loans for over \$510 billion in much-needed financial relief to America's small businesses.

Through collaboration with Treasury, we have issued program rules and guidance through 16 Interim Final Rules (IFRs), 48 Frequently Asked Questions (FAQs), and numerous other participant forms, detailed guidance, and materials, to date. The agency has been providing regular information to congressional offices on daily PPP lending data and a weekly PPP program overview. The daily data release includes a total loan count, lender count, and total dollars approved for loans in the program. The weekly data release includes those topline figures and also provides multiple slides and a very detailed breakdown on the loans by lender size; figures on loans and dollars approved by state and territory; and an overview of the loans made to businesses by industry sector. All this information is available on the SBA website.

Since the beginning of the PPP, the agency, through our Office of Capital Access, has approved over 3,600 new lenders. This includes non-bank and non-traditional lender institutions who have never before participated in SBA lending programs. Through the hard work of the staff managing the lending system, the program office approved over 63,000 new users to the loan management portal, E-Tran, resulting in over 3 million system actions, such as providing user access, password resets, and account changes. The agency also reviewed and approved over 400 new franchise systems to the agency's franchise directory.

The subsequent legislation (P.L. 116-139) that extended funding for the PPP included funding categories to ensure that economic relief opportunities remain available for smaller-sized lenders and the small businesses they serve. As the weekly data set shows, over 5,300 lenders are in the smallest lender category, and they have made the highest number of loans so far. We created equity in the program through diversifying the pool of authorized lenders, including community banks, credit unions, fintech companies, farm credit lenders, and minority-focused institutions. We have been very encouraged by over 420 Community Development Financial Institutions (CDFIs) and Minority Development Institutions (MDIs) participating in the program. CDFIs and

MDIs have approved over \$15 billion in loans and are also part of over \$96 billion in small business relief provided by the smallest of the PPP bank and non-bank lenders.

Entrepreneurial development and the role of the agency's resource partners in the pandemic economic response is provided for in Section 1103 of the CARES Act. The section enables education, training, and advising of small businesses through Small Business Development Centers (SBDCs) and Women's Business Centers (WBCs). Following passage of the CARES Act, the agency's Office of Entrepreneurial Development (OED) has worked very closely with the leadership of the two resource partner associations to develop funding agreements and establish goals and metrics for those agreements. The agency has awarded grants to all 62 SBDC lead centers, totaling over \$191.6 million, and to all 113 WBCs, totaling over \$44.4 million. In addition, the agency worked with the associations on development and funding of a common website, another provision in this section. This centralized hub is operational and available to all small businesses. With SBDCs located at colleges and universities, this has become a much-needed resource for small businesses in a time when university access has been limited.

Section 1104 of the Act makes a very helpful adjustment in the use of funds under the agency's State Trade Expansion Program (STEP). The section permits fiscal year funds to be extended for use through fiscal year 2021. This gives state governments and state trade organizations the opportunity to utilize funds that might otherwise expire at the end of this fiscal year. Many trade events and international trade missions were affected by pandemic-related travel restrictions, and the Act also allows the agency to reimburse states for cancelled foreign missions or trade shows. SBA's Office of International Trade (OIT) was quick to issue guidance in early April, and OIT modified quarterly STEP reporting requirements to include reimbursement for COVID-19 related losses. The funding flexibility with respect to fiscal year use and reimbursement for unexpected limitations on foreign travel are welcome accommodations within a program that I know many of you so strongly support.

Section 1110 of the Act provides for emergency grants to disaster loan applicants. At the time of bill development, the agency shared with committee leaders the challenges associated with creating and implementing an entirely new distribution system for disaster grants. The agency requested additional time for disbursement of the advances, longer than the 3 days as referenced in the bill. Notwithstanding the bill language, we worked very hard to stand-up that system and were pleased to be able to process checks beginning in 7 business days from enactment of the Act. The agency has distributed over three million advances to small businesses so far. To reach as many applicants as possible, and after consulting members of the committee, the advances are structured on a per-employee basis, from \$1,000 up to \$10,000. At this time, the agency has processed and disbursed monies to all eligible businesses requesting an emergency grant/advance. There are some businesses awaiting advances that need to clarify eligibility or bank information.

With respect to the economic injury disaster loan (EIDL) program, SBA's Office of Disaster Assistance (ODA) has now approved and distributed more in loans for COVID-19 than for all other disasters combined in the history of the agency. ODA provides weekly data reflecting the number of approved loans to small businesses and the associated dollars. The agency was processing disaster loans in response to the COVID-19 pandemic prior to passage of the CARES

Act, which made structural changes to the disaster program. We modified the program to the new criteria and continued to process loans until reaching the limit of our previous funding amount. We were appreciative of Congress approving additional subsidy in recent legislation, which also included further eligibility changes to the program for agricultural enterprises. After modifying the program again to those new standards, loan processing resumed and has been continuous since.

Another provision of the CARES Act, Section 1111, provided for the availability of resources and services to small businesses in the 10 most commonly spoken languages in the United States other than English. The section required those languages to include Mandarin, Cantonese, Japanese, and Korean. I am pleased to share that the agency has made resources available to small businesses in 17 different languages, as follows: Spanish; Arabic; Chinese (Mandarin/Cantonese) Simplified; Chinese (Mandarin/Cantonese) Traditional; French; German; Gujarati; Haitian Creole; Hindi; Italian; Japanese; Korean; Polish; Portuguese; Russian; Tagalog; and Vietnamese. The agency developed the expanded list of language offerings with input from our Office of Field Operations, the program office which comprises the agency's district office staff. As you know, our district staff are an essential part of the agency's small business assistance. They are very directly engaged with small business owners and were able to reflect the language needs in their respective regions in generating the translated resources. We encourage all congressional offices to fully utilize these materials and services.

Section 1112 of the CARES Act provided for debt relief for existing SBA business loan borrowers. The section provides principal and interest payments for a period of six months for small business borrowers. This financial assistance is available for existing or new SBA business loans through the agency's 7(a), Microloan, Community Advantage, and 504 programs. In advance of the April payments on those business loans, the agency's Office of Capital Access conducted outreach and provided procedural notices to lenders regarding these debt relief provisions. They were supported by our district staff, who also messaged the opportunity. The Office of Capital Access continues to promote the debt relief availability through lender conference calls and direct communication. A debt relief information paper and overview are also included in the translated language materials mentioned previously. In April, the agency provided debt relief to over 263,000 borrowers for over \$1.03 billion. In the month of May, the agency provided further relief to over 280,000 borrowers for over \$1.12 billion.

Let me also share agency program office activity outside of the CARES Act. SBA's Office of Government Contracting and Business Development (GCBD) conducted extensive outreach to federal contracting stakeholders to provide COVID-19 guidance. The program office was very responsive to federal agencies in processing waivers, resulting in set-aside awards for small businesses. GCBD staff created curricula for 7j training-eligible firms addressing COVID-19 impacts, like meeting payroll and continuity of operations. The agency conducted outreach to thousands of small business contractors who might meet federal agency PPE and COVID-19 requirements, and our staff connected them with the appropriate federal agencies. GCBD staff also implemented program flexibilities to lessen the COVID-19 related burdens on HUBZone and 8(a) program participants.

Lastly, I want to outline the actions we are taking as an agency to fulfill our governance responsibilities in managing CARES Act programs and funds. In view of new program requirements and the appropriated dollars contained in the Act, I created an integrated, agency-wide team that will coordinate SBA's internal oversight. Led by our Office of the Chief Financial Officer, this team is overseeing the execution of funding, developing quality assurance processes, will measure program performance, and will support the deployment of appropriate resources for compliance.

I want to close by expressing my appreciation for the members of this committee, for your support of the agency throughout our implementation of the CARES Act, and for your commitment to America's small businesses. These are challenging times for our nation's small business owners and entrepreneurs. The programs enacted through the CARES Act are essential economic relief programs, and I will continue working with you to ensure their ongoing success.

Thank you again, Mr. Chairman, and members of the committee, for the opportunity to testify today.