

# United States Senate

WASHINGTON, DC 20510-3203

May 9, 2020

The Honorable Jovita Carranza  
Administrator  
U.S. Small Business Administration  
409 3<sup>rd</sup> Street SW  
Washington, D.C. 20416

Dear Administrator Carranza:

We write to you with significant concerns regarding the implementation of the Economic Injury Disaster Loan (EIDL) Program. This is an existing program that was able to immediately deliver needed capital to businesses, yet throughout the response to the COVID-19 pandemic, SBA has repeatedly made it harder for EIDL to serve struggling small businesses looking to SBA for the capital they need to stay afloat.

One such example of this mismanagement is the recent decision to limit EIDL to \$150,000, completely disregarding current law and Congress' clear intent that, in accordance with the CARES Act, small businesses be allowed to borrow up to \$2 million to respond to the COVID-19 pandemic. This unauthorized policy change will leave the estimated four million pending EIDL applicants in limbo after expecting that SBA would process their loans in a timely manner for the amount permitted under the law.

Prior to instituting a cap, the average approved loan for EIDL borrowers was over \$200,000. If loan requests remain consistent, the new \$150,000 cap means that the majority of businesses in the EIDL queue will have to turn elsewhere to obtain the assistance they need to keep their businesses running. Worse, it means that, unbeknownst to those borrowers, they have been waiting in vain for weeks for loan amounts that will never come.

SBA's decision to close its application portal to all non-farm small businesses is also concerning. Of course, we agree that farms and other agricultural businesses need immediate assistance, which is why we pushed for and secured a change in eligibility in the Paycheck Protection Program and Healthcare Enhancement Act (interim COVID-19 act) to allow them to access EIDL after calls for SBA to do so went unanswered. With that said, we also provided \$50 billion in lending authority in the interim COVID-19 act to support \$366 billion in new loans to be made available to all eligible small businesses, not just the newly eligible farms and agricultural businesses. This appropriations level was based on SBA's own data indicating that it would be sufficient to help not only the estimated four million businesses that had previously applied, but additional applicants seeking to access this program as well.

Furthermore, in the first round of EIDL funding, SBA abruptly instituted a \$15,000 cap on disbursements of approved loans. This policy was quietly rescinded given its many problems. Even without that misguided policy, SBA's disbursement of approved funding has been significantly delayed. Despite receiving \$2.775 billion in administrative funds for

implementation and oversight, the latest data from SBA shows that the agency had processed fewer than 50,000 applications totaling less than \$10 billion. This means SBA has disbursed *less than 3% of available funds* to small businesses that are in desperate need of immediate assistance.

We are also disappointed with SBA's administration of the EIDL Emergency Grants, which received an initial \$10 billion appropriation in the CARES Act and an additional \$10 billion in the interim COVID-19 Act after funding ran out. These grants were intended to provide assistance to EIDL applicants within three days to help them address immediate needs while their loan applications were pending. Yet SBA made the decision to cap grants at \$1,000 per employee, thereby severely reducing the number of businesses that could receive the full \$10,000 prescribed by Congress and limited how effective the grants could be.

Compounding this situation, SBA has been inexcusably opaque when communicating its policies on EIDL. Beyond this most recent decision to cap loans at \$150,000 without notifying the public, or even to acknowledge the policy once it had been unearthed by the media, it has consistently failed to update the four million EIDL applicants on the status of their loans. Similarly, it has not provided Congress with regular updates on the number of applicants served and the total amounts disbursed, which is one reason we introduced a transparency and oversight bill this week. The latest information Congress has received as of today was from April 28, nearly a week and a half ago. We understand and appreciate the pressures the agency is under and the unprecedented mobilization of resources, but despite these tremendous challenges, one thing that SBA has no excuse for is its stubborn refusal to communicate transparently with the public or with Congress and for its complete disregard of Congressional intent in the delivery of this critical assistance.

To begin to rectify these problems and uphold the intent of EIDL, we request an immediate reversal of SBA's recent policy to limit EIDL loans to \$150,000. We also request that SBA open the program up to non-farm applicants. If SBA is concerned about opening up EIDL due to a lack of funds, the Administration should send Congress a request with a funding level they need to do so. To assist in that effort, we request SBA provide Congress regularly with the information necessary to assess demand for EIDL so that we can ensure the program receives adequate support.

Transparency and communication must improve. Anything less is a disservice to the millions of small businesses that have invested their effort, their time, and their hope seeking to obtain meaningful and effective federal support.

Sincerely,



Charles E. Schumer  
United States Senator



Benjamin L. Cardin  
United States Senator



Jeanne Shaheen  
United States Senator