



Senate Small Business Committee

Hearing on “Implementation of Title I of the CARES Act”

June 10, 2020

Witnesses and Opening Statements

- [The Honorable Steven Mnuchin, Secretary of the Treasury, U.S. Department of the Treasury](#)
- [The Honorable Jovita Carranza, Administrator, U.S. Small Business Administration](#)

Member Opening Statements

Chairman Marco Rubio (R-FL) noted the priority of speed and size of the CARES Act and commended the Treasury Department (Treasury) and the Small Business Administration (SBA) for deploying the Paycheck Protection Program (PPP) with such speed and relative success. Chairman Rubio also noted the importance of PPP loans in keeping individuals employed and small businesses alive, in addition to the Economic Injury Disaster Loans (EIDL) that were disbursed nationwide.

Ranking Member Ben Cardin (D-MD) commended Treasury, Secretary Mnuchin, and Administrator Carranza, on their work to sort out the deployment of the PPP program to keep businesses alive during the pandemic. Ranking Member Cardin noted that the 8-week use period for loans was too short and indicated his support for the recent extension to 24 weeks and noted that many of the jobs that returned last month were due to support from PPP loans. Ranking Member Cardin emphasized that the economy is still in the midst of a recession which is impacting minorities at a disproportionate rate, on top of the pandemic. Ranking Member Cardin noted that a massive wealth gap remains based on race and noted the difficulty of minority business owners in receiving loans and support. Ranking Member Cardin emphasized his disappointment in the Treasury and SBA’s lack of deployment of the minority-owned loan program quickly. Ranking Member Cardin noted the need to increase transparency on who is receiving the aid, in addition to communicating clearly with borrowers.

Member Questions and Answers

Chairman Marco Rubio (R-FL) asked if small businesses that utilized below 60% of their loan on payroll costs would still be eligible for forgiveness for the proportion of funds used for payroll. Sec. Mnuchin responded affirmatively. Chairman Rubio also asked if there has been an uptick in usage of PPP since the extension of terms. Sec. Mnuchin noted that he expects that but that there is no data on it currently. Chairman Rubio also asked where the disconnect is between SBA and the GAO. Administrator Carranza noted that she has had discussions with GAO and indicated that this will be resolved next week.

Ranking Member Ben Cardin (D-MD) asked why the EIDL program is not being used to its full capacity. Administrator Carranza indicated that the program had prioritized the agricultural industry, as they were

the industry most in need but noted the low average loan size, which would indicate that there will be funds left for other industries. Ranking Member Cardin also asked about the rationale for a cap on the loan amount at \$150,000. Administrator Carranza noted that there were concerns originally of funds not being available and the difficulty in the government being the only distributor of those loans unlike the PPP. Ranking Member Cardin asked about individuals who have a criminal record being unable to get PPP loans. Sec. Mnuchin indicated that the restriction would be reduced to people who have served under 5 years to under 3 years.

Sen. Jim Risch (R-ID) asked about the pace of return to normal for the economy. Sec. Mnuchin noted that he was surprised by the reduced unemployment and increased growth numbers and commended Congress for their actions to unlock markets. Sen. Risch noted that the PPP loan safe harbor application is very difficult. Sec. Mnuchin noted that they were releasing guidance to make that easier.

Sen. Maria Cantwell (D-WA) emphasized the need to properly deploy and continue the Community Development Financial Institutions (CDFI) program to give minority and woman-owned businesses funds, in addition to the smallest businesses. Administrator Carranza noted that SBA has a task force focused on serving those communities. Sen. Cantwell noted that the commercial manufacturing supply chain should be supported by the funds given for important to national security. Sec. Mnuchin indicated that he is open to discussing those funds. Sen. Cantwell asked when the \$8B for tribal governments will be distributed. Sec. Mnuchin noted that the second tranche of funds will go out tomorrow or Friday.

Sen. Tim Scott (R-SC) asked if there is an opportunity for small businesses to apply for additional funds to spur recovery. Sec. Mnuchin noted that another bipartisan piece of legislation will come to inject money into the economy but noted that there is no rush to do so and that the funds must be targeted to industries and small businesses that are most impacted. Sen. Scott asked how to utilize financial technology in this process. Administrator Carranza noted they had dedicated resources to fintech, and they were instrumental in providing microloans to underserved communities.

Sen. Jeanne Shaheen (D-NH) emphasized the lack of data and information to properly adjust the programs to serve Americans. Sen. Shaheen also noted that many businesses are on the verge of running out of funds and emphasized the need to support those businesses further. Sec. Mnuchin agreed and emphasized that many small businesses will need additional support. Sen. Shaheen asked when the businesses who have applied for EIDL loans will receive a response about the status of their loan. Administrator Carranza noted the additional resources being added to respond to the increased volume of loans and noted that the new system that was implemented to process loans does not have full visibility and emphasized that more loans will be processed in the coming days with increased efficiency.

Sen. John Kennedy (R-LA) asked if it was possible to value the economic impact of businesses destroyed in looting recently. Sec. Mnuchin indicated that he would investigate that. Sen. Kennedy asked if there would be money left over in the PPP. Sec. Mnuchin responded affirmatively. Sen. Kennedy noted that he would introduce legislation to give that money to businesses impacted by looting. Sec. Mnuchin noted that he would be supportive. Sen. Kennedy asked what should be in the next COVID-19 bill. Sec. Mnuchin emphasized the need to encourage businesses to rehire people in travel and leisure industries, fix unemployment to encourage employment, and look at more direct stimulus payments. Sen. Kennedy asked whether capital gains treatment being relaxed to encourage investment. Sec. Mnuchin noted that liquidity for investment is not an issue right now.

Sen. Chris Coons (D-DE) asked about the issue of the 7a shutting down with the PPP ending. Administrator Carranza noted that there was no risk issue here from the SBA perspective. Sen. Coons also asked why PPP individual loan data is not available and whether the GAO will get the necessary data to do oversight. Sec. Mnuchin emphasized their commitment to transparency but noted that names and amounts are confidential information for small businesses, but that the GAO will get the information they need. Sen. Coons also asked about the credit insurance markets. Sec. Mnuchin indicated that he would engage offline.

Sen. Mitt Romney (R-UT) emphasized the need to forgive PPP loans where possible but asked about businesses that have received loans but did not need the funds qualifying for forgiveness. Sec. Mnuchin noted that the majority of small businesses were under \$2m and likely fully requiring the loans, while the larger loans would be reviewed, in addition to a general audit. Sen. Romney asked about the need for stimulus given expectations of a quick recovery. Sec. Mnuchin noted that the economy will rebound significantly but that Congress should move to restore the economy to where it was previously.

Sen. Cory Booker (D-NJ) asked if individuals who have started a business but have prior unrelated convictions should be barred from participating in the PPP program. Sec. Mnuchin indicated that they are happy to work on this issue and fix it quickly given a letter from the committee with guidance.

Sen. Joni Ernst (R-IA) noted her support for the issue Sen. Booker raised. Sen. Ernst asked what is being done to hold Planned Parenthood accountable for violating affiliation rules. Administrator Carranza noted that all affiliations that have unfairly taken funds will be held accountable. Sen. Ernst also asked if SBA can simplify the loan forgiveness application. Sec. Mnuchin indicated that there are requirements in the legislation that make it difficult to make it easy, but that the safe harbor will make that easier.

Jacky Rosen (D-NV) asked about the rationale behind reducing the cap for the EIDL loans and noted that they were not part of the legislative intent. Administrator Carranza gave a similar answer to a previous question and noted that she will continue to evaluate how to best support businesses in need.

Sen. Josh Hawley (R-MO) asked a similar question as Sen. Ernst and Administrator Carranza gave a similar answer.

Sen. Susan Collins (R-ME) asked if Sec. Mnuchin would support small borrowers in heavily impacted industries that cannot reopen fully to seek additional PPP funds. Sec. Mnuchin noted that he will very seriously consider something of that sort. Sen. Collins also asked if the 24-week timetable will prohibit companies from seeking forgiveness immediately. Sec. Mnuchin responded no and encouraged any businesses that have used their funds to apply for forgiveness.