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THE ECONOMIC INJURY DISASTER LOAN PROGRAM: STATUS UPDATE FROM THE ADMINISTRATION

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BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES
HOUSE OF REPRESENTATIVES

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THE ECONOMIC INJURY DISASTER LOAN PROGRAM: STATUS UPDATE FROM THE ADMINISTRATION

WEDNESDAY, JULY 1, 2020

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:05 a.m., in Room 2118, Rayburn House Office Building, Hon. Nydia M. Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Finkenauer, Kim, Davids, Chu, Evans, Schneider, Delgado, Houlahan, Craig, Chabot, Radewagen, Balderson, Hern, Hagedorn, Stauber, Burchett, Spano, Joyce, and Bishop.

Chairwoman VELÁZQUEZ. Good morning. I call this hearing to order.

Without objection, the Chair is authorized to declare a recess at any time.

I want to thank everyone, especially our witness, for joining us today for our Committee's hybrid hearing.

I want to make sure to note some important requirements. Let me begin by saying that standing House and Committee rules and practice will continue to apply during hybrid proceedings. All members are reminded that they are expected to adhere to these standing rules, including decorum.

With that said, the technology we are utilizing today requires us to make some small modifications to ensure that the members can fully participate in these proceedings. During the covered period, as designated by the Speaker, the Committee will operate in accordance with House Resolution 965 and the subsequent guidance from the Rules Committee in a manner that respects the rights of all members to participate.

House regulations require members to be visible through a video connection throughout the proceedings, so please keep your cameras on. Also, if you have to participate in another proceeding, please exit this one and log back in later.

In the event a member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available member of the same party and will recognize that member at the next appropriate time slot, provided they have returned to the proceeding.

Should a member's time be interrupted by technical issues, I will recognize that member at the next appropriate spot for the remainder of their time once their issues have been resolved.

In the event a witness loses connectivity during testimony or questioning, I will preserve their time as staff addresses the technical issues. I may need to recess the proceedings to provide time for the witness to reconnect.

And, finally, remember to remain muted until you are recognized to minimize background noise. In accordance with the rules established under House Resolution 965, staff have been advised to mute participants only in the event there is inadvertent background noise. Should a member wish to be recognized, they must unmute themselves and seek recognition at the appropriate time.

For those members here in the room today, we will also be following the health and safety guidelines issued by the Attending Physician. That includes social distancing and especially the use of masks. I urge members and staff to wear masks at all times while in the hearing room, and I thank you in advance for your commitment to a safe environment for all here today.

Last night, on the eve of the date the Paycheck Protection Program expires, the Senate passed a bill to extend the program to August 8.

From the inception of the program, I have clearly stated that, until we know where the money is going and how our very small businesses, which includes independent contractors and sole proprietors and minority- and woman-owned firms, are faring, we cannot blindly extend the program. With that said, Congress still does not have the data it was promised, nor does the public have any information.

In May, the Congress passed the HEROES Act, which extended the program through the end of the year and set aside funds for small businesses with fewer than 10 employees and leveraging our mission-based lenders, like CDFIs, MDIs, and microlenders.

Moreover, this important bill included provisions to require the administration to provide regular disclosure to Congress and the public. Yesterday, Secretary Mnuchin stated he was working with the Senate on the next steps for PPP and spoke of secondary loans.

As I have said all along, I invite the Senate and the administration to sit down with us to discuss extending PPP loan authority and the many improvements put forth by members of this committee.

We are meeting today to conduct an important hearing on SBA implementation of the Economic Injury Disaster Loan Program or, as some call it, the EIDL Program, which was activated on March 12, making it the first economic relief program to assist small businesses adversely impacted by the coronavirus pandemic.

I would like to thank Mr. James Rivera, the Associate Administrator for SBA's Office of Disaster Assistance, for being here today to discuss many of the issues surrounding the implementation of the EIDL Program.

Mr. Rivera, I value your commitment and the hard work of your staff, and I fully understand the extraordinary efforts put forth to respond to this unprecedented crisis. However, we are holding this

hearing today because of some very concerning issues that have hindered relief for thousands of small businesses.

As you know, we held a hearing last month in which we heard directly from the EIDL applicants about their experiences with the program. One small-business owner discussed the negative impact of SBA unilateral reduction of the maximum loan size from $2 million to $150,000, a cut of more than 90 percent.

He, like thousands of small-business owners across the country, was drawn to the EIDL Program largely due to the ability to use an EIDL loan for more than just payroll. Imagine being in the position of thinking this program, at a max of $2 million, is just what your business needs, only to learn at loan approval that SBA had drastically reduced the loan amount.

This is precisely the kind of information that needs to be conveyed to borrowers ahead of time. It makes it a fundamentally different loan product. And for those who needed an amount greater than $150,000, EIDL was rendered irrelevant.

Throughout the process, SBA showed a lack of understanding of the challenges facing small businesses related to COVID-19, especially by offering a one-size-fits-all $150,000 loan without offering them an opportunity to apply for a second loan or seek additional funding. Small businesses looking to the SBA for help were essentially told, "Take it or leave it," regardless of need or size, and then told to have a nice day.

We also heard from a community pharmacist in south Philadelphia who applied for the EIDL loan but was denied due to unsatisfactory credit history. This is a lifelong entrepreneur who has struggled with resisting margins and is now saddled with additional burdens due to COVID-19.

Borrowers like the community pharmacist who have been denied for allegedly unsatisfactory credit history have reported that the credit threshold for approving a loan is not clear and borrowers do not know what the limit is, leaving them feeling like the decision was arbitrary. I am sure it would be helpful to all if SBA simply communicates the credit minimums to small businesses up front.

I have also heard from small businesses who were denied because of unverifiable information, meaning there were items that were reviewed that caused SBA to question the validity of the items. But the denial letter never detailed the information that was missing, leaving applicants with little insight as to why they were denied.

Though these decisions can be appealed, that only adds to the delays and expenses of a struggling business owner. These businesses need relief, and they need it now.

Even more troubling is the fact that the SBA has not communicated well with applicants, nor has it provided them with reliable ways to check the status of their applications. Borrowers are simply told that the loan is processing. The only other updates they receive are whether the loan has been approved or denied.

Applicants need to know where they stand in the queue so they know how much longer they must wait before receiving financing. And given the current economic climate, if they are going to be denied, they deserve to know quickly so that they can explore options for capital elsewhere.

Finally, there was a long period during which the EIDL application portal was limited to only agricultural small businesses, which is completely at odds with the intent of the Small Business Act and the mission of the SBA, which is to aid, counsel, assist, and protect the interests of all small businesses.

It is particularly troubling to have heard allegations that these loans were being processed before other applications that were already in the queue. And we hope to get a clear answer on that today.

At the Committee continues its oversight duties, I am looking forward to hearing from Mr. Rivera about how many applications are currently pending in the queue, how much more funding is necessary to meet the loan demand, and what steps SBA is planning to take to ensure small businesses across the country receive the economic relief they need to survive.

Already, a number of large companies have declared bankruptcy post-COVID-19, and experts say it is not long before this wave of bankruptcies hits small businesses. We need to be doing more to help avert this outcome.

With that, I look forward to hearing from Mr. Rivera on the EIDL's performance in response to COVID-19 and what ODA needs from Congress to fully implement the EIDL Program consistent with our intent.

I now yield to the Ranking Member, Mr. Chabot, for the opening statement.

Thank you.

Mr. CHABOT. Thank you, Madam Chairman. And thank you for holding this meeting on the Small Business Administration's Economic Injury Disaster Loan Program, popularly known as the EIDL Program.

At the beginning of the year, the Nation's economy and the country's small businesses were reaching new heights. We were experiencing historic levels of unemployment, and momentum was building. For example, unemployment among African Americans, Asian Americans, Hispanic Americans was at all-time lows, meaning that more and more people were working. That was a good thing.

Unfortunately, COVID-19 made its way to our shores. As a result, a huge number of America's small businesses, coast to coast, were forced to close their doors and turn off their lights. With demand for goods and services limited by this emergency, small businesses shifted to survival mode.

It was clear from the beginning that the Nation's smallest firms would need immediate access to capital to weather the storm. The SBA was handed a task that was unequaled in our history.

Congress, in a bipartisan fashion, and the Federal agency that represents, assists, and fights for America's smallest firms responded by setting up the Paycheck Protection Program, which works in partnership with private lenders to deliver funds to small businesses. This program has delivered 4.8 million loans, in the amount of nearly half-a-—actually, over half-a-trillion dollars now.

The SBA also continued to administer the Economic Injury Disaster Loan Program, EIDL, which had its roots as a post-event recovery program for businesses and communities that were hit by a natural disaster.

Both of these programs, from the beginning of this crisis, experienced overwhelming, unprecedented demand. EIDL shifted immediately from being a regional program—a natural disaster typically strikes a particular locale—to a full-fledged national relief program.

Thus far, the program has delivered just over 2 million loans, for $127 billion. In my home State of Ohio, for example, the program has delivered 45,000 loans, for $2.6 billion, to date.

I would like to thank the SBA for being a vital resource to the Nation's small businesses, entrepreneurs, and startups. However, we are a number of months into this crisis now, and the SBA's EIDL Program has a lot of room for improvement.

While EIDL loans are being processed and the Advance grants are being disbursed, too many small businesses are left with questions—questions on communication, questions on the status of their loan, and questions surrounding the maximum loan amount under the program.

When small-business owners are left with limited information, common, everyday business decisions become difficult. We must strive to provide small businesses with as much information as possible, especially during these uncertain times.

I look forward to getting to the bottom of many of these questions and determining how we can work together to provide solutions for our Nation's smallest firms.

I want to thank the SBA's Associate Administrator for the Office of Disaster Assistance, Mr. James Rivera, for joining us today. I look forward to his testimony and also, obviously, answering questions from members on both sides of the aisle.

As was the case prior to the COVID-19 outbreak, I know that small businesses will once again be our Nation's guiding light.

And, with that, Madam Chairwoman, I yield back.

Chairwoman VELAZQUEZ. Thank you, Mr. Chabot.

I would like to thank a moment to explain how this hearing will proceed. Each witness will have 5 minutes to provide a statement, and each Committee member will have 5 minutes for questions. Please ensure that your mike is on when you begin speaking and that you return to mute when finished.

With that, I would like to introduce Mr. James Rivera, the Associate Administrator for SBA's Office of Disaster Assistance. In this capacity, Mr. Rivera directs the SBA Disaster Loan Program, including EIDL.

He began his SBA career in Texas in 1989, serving as a disaster loan specialist. Over his 30-year SBA career, he has also served as the Associate Administrator for the Office of Financial Assistance. And prior to his public service, Mr. Rivera was a commercial loan officer in the private sector.

We welcome you back to the Committee, and you are recognized for 5 minutes.

STATEMENT OF JAMES RIVERA, ASSOCIATE ADMINISTRATOR, OFFICE OF DISASTER ASSISTANCE, SMALL BUSINESS ADMINISTRATION, WASHINGTON, D.C.

Mr. RIVERA. Good morning, Chairwoman Velázquez, Ranking Member Chabot, and members of the Committee. Thank you for

the opportunity to update you on the agency's Economic Injury Disaster Loan Program and our response to the coronavirus pandemic.

In March, SBA worked with all States and territories to facilitate approval of 56 disaster declarations for small businesses affected by the pandemic. At that time, Administrator Carranza made an important administrative change to ease the business impact certification. This enabled the SBA to provide disaster loans for small businesses in all 50 States and 6 U.S. territories, and it established a nationwide disaster assistance program.

As a result, the loan numbers and dollars we are experiencing are unprecedented so far. This agency has provided economic relief to over 6.8 million small businesses, for over $147 billion. This more than doubles the amount of disaster aid provided in the entire 67-year history of the agency.

To help achieve that, SBA created and implemented an entirely new online portal application and distribution system for EIDL loans and grants. This system has now handled over 8 million applications and has allowed us to distribute dollars to those small businesses in record time. Currently, we are processing grants in less than 2 days.

The pandemic and nationwide program has also required the agency to scale up our disaster staff, now totaling over 7,000 personnel.

Meanwhile, our program office continues to service 175 other major and agency disaster declarations, which total a billion dollars in natural disasters this year, including the two recent requests from Governors for small businesses assisted in areas of civil unrest.

These successes, unparalleled and historic for the agency, have not been without their challenges, however. Let me mention a few.

First, between mid-March and the end of April, the agency had to stop processing applications three times. This was due to the program changes made through CARES Act legislation, the lack of funds, and the need to stand up an entirely new system to administer the grants. During this time, the agency received close to 4 million applications in a 2-week period. This did set us back, and we have now been working hard to catch up since.

In moving quickly to build the new system, we unfortunately were not able to provide the same internal visibility as exists with our disaster loan application portal. This, combined with the application volume mentioned above, resulted in uncertainty for many.

Following the exhaustion of funds and in receiving additional funding, the agency looked at how best to maximize these dollars for pending applications, newly eligible agricultural enterprise businesses, and future applicants. In reopening the portal 2 weeks ago, we also needed to keep in mind that the disaster application period, as defined in the 56 declarations, runs through mid-December.

With regards to the EIDL grants or advances, the agency also looked at how best to maximize those funds. We consulted bill authors, and, through a per-employee allocation, we now have been able to reach 2.2 million more businesses with financial aid.

I mentioned the significant growth in our staffing, but that comes with the need of education and training. We continue to ad-

just every week to the demands in our call center and in our loan processing centers.

In highlighting our successes and reflecting on our challenges, it is also important to evaluate where we are today. We have been continuously processing loans for 2 months. All applications have now been initially decisioned. All advances have been distributed.

Our processing times, due to volume and stoppages, averaged around 41 days. Since we reopened the portal, our processing times for new applications are now 5 days. We are much stronger and at a stable operational staff level today, and small businesses are getting the needed dollars disbursed to them in record times.

At SBA, our mission is one of service. We have a proud history of helping small-business owners in their time of need. Every disaster event is unique, and there are always lessons learned. While facing a disaster situation unlike any in our agency's history, we have had to do this while operating in a telework and virtual environment ourselves. We have also been affected by the pandemic, having lost one of our dedicated staff members to the virus.

In the end, I know we share a common goal: to provide economic relief to American small businesses. We will continue to do our very best, and we will continue to work closely with you to achieve that goal.

Thank you.

Chairwoman VELÁZQUEZ. Thank you, Mr. Rivera.

I now recognize myself for 5 minutes.

Mr. Rivera, SBA received approximately $2.7 billion in funding for salaries and expenses to fulfill your mission to deliver the PPP, EIDL, and other agency programs to struggling small businesses.

What portion was allocated to the Office of Disaster Assistance? How much has been spent? And what have been the biggest cost drivers?

Mr. RIVERA. Thank you, Madam.

We received two sets of funds. We used $7 billion initially in our existing disaster funds that was carried over from Harvey, Irma, Maria on the loan side. On the administrative side, Congress was generous enough to give us $470 million, and we are close to spending through that right now. The $2.1 billion we have planned out over the next—I think it sunsets in September of 2021. So, we are working through those funds right now.

Major costs, to answer your question, we have 7,000 employees; we have close to 2,000 contractors. We are running a 24/7 operation at the call center. So a lot of these expenses that we have not had in a natural disaster have grown exponentially with this effort.

Chairwoman VELÁZQUEZ. Okay. So you hired more staff. You hired contractors to help you perform the duties of the office in providing assistance to small businesses.

And so that is one of the first issues that I raised, and I was the one fighting here to get that money to you. Because I have been on this committee for 28 years, and I know every time that there is a natural disaster how bad the agency has failed. Because the budget has consequences, right? And every time that the budget is cut, manpower is going to be reduced. And here we are.

Of course, we provided the money to hire more staff and to hire contractors, bring in contractors, but then there is the training and

so on. So those are issues that we need to keep in mind, because climate change is not going away, and we are going to be in this position many, many times more.

Mr. Rivera, I have heard countless complaints about SBA's poor customer service. Applicants spent hours on hold, only to be told their applications were pending and to check back again next week.

Why was SBA's system unable to provide more detailed information regarding the flow of the application through the approval process?

Mr. RIVERA. Let me, if I can, take you back to mid-December. We have this system internally that we use to respond to—natural disasters; it is the Disaster Credit Management System 2.0. We used that for the first 2 to 3 weeks.

When we received the opportunity to do a grant program—which we have never had a grant program on the disaster loan side—we pivoted to an existing contract that we received post-Harvey, Irma, Maria. It was a surge contract that enabled us to rebuild it.

And, looking back, we should have had visibility, no doubt about it, similar to the way we have with the disaster loan application portal. What happened is, in our angst to get this service out and get to this new portal, we did not have visibility in the application portal.

Once an applicant gets invited into the loan queue or to the grant queue, there is visibility. But, in hindsight, we should have added that additional visibility that we didn't have.

Chairwoman VELÁZQUEZ. At the Senate hearing a few weeks ago, Administrator Carranza said that the SBA was working to add more visibility to the automated system. When will that be completed?

Mr. RIVERA. So, we don't have any loans in the application queue anymore. Everything has been processed. Since we have reopened the portal, we have received close to an additional 2 million loan applications. Everything is in the loan queue, so there is visibility from that perspective, and all grants have been processed.

Chairwoman VELÁZQUEZ. So why, then, did she say that the Administration was planning to add more visibility?

Mr. RIVERA. I think if you go back to the June 15 date, that is just the amount of applications we had in the queue. I think it was a timing issue.

Chairwoman VELÁZQUEZ. Okay. Thank you.

So, Mr. Rivera, we understand that SBA limited the size of the EIDL loan to $150,000. What percentage of applicants had requested and, based on the EIDL calculation, should have received more than $150,000?

Mr. RIVERA. So, currently 80 percent of the applications are below $150,000. The average loan is $61,000 overall. We have 19 percent of the applications that are at that $150,000 threshold.

Chairwoman VELÁZQUEZ. Okay. So can you answer my question, just the percentage of people that applied for $2 million that——

Mr. RIVERA. Right.

Chairwoman VELÁZQUEZ.—didn't receive it and just got $150,000?

Mr. RIVERA. So, Madam, I don't have that information because we——

Chairwoman VELÁZQUEZ. Can you please forward that information to us?

Mr. RIVERA. Sure. But we determine economic injury. You can request whatever you want, but it is based on 6 months of working capital.

And I think we could have done a better job of communicating that it is based on 6 months of working capital. It is not based on whatever loan amount that you are requesting. It is different than a traditional bank loan, from that perspective.

Chairwoman VELÁZQUEZ. Okay.

My time has expired, and I now recognize the Ranking Member.

Mr. CHABOT. Thank you, Madam Chair.

Mr. Rivera, I have heard from many small businesses and numerous Members of Congress about the lack of communication coming from the SBA, with regard to the EIDL Program specifically.

How can we work together to ensure that small businesses receive the most up-to-date information on EIDL assistance? And are there any programmatic changes that we need to consider?

Mr. RIVERA. The last, gosh, 3 months have been a tough road, obviously. This is a national footprint; it is not a regional disaster, from that perspective.

We have learned a lot from a communication perspective. And to answer your question, we need to do a better job of getting what the program guidelines are out there and being able for all small businesses to understand.

We thought we were communicating pretty well from the perspective of when we talked to each individual business owner; they knew exactly what we were trying to do and what we were trying to address their needs. But there is always room for improvement, and we are willing to work with Congress, however you see fit.

Mr. CHABOT. We definitely would want to work with you on that, and I think both sides. You know, this is a very bipartisan committee, and I think we can work together with you to improve this.

As we consider ways to improve the Federal response to this emergency and emergencies in the future, do you believe that private lenders could have a role within the Disaster Loan Program?

Mr. RIVERA. Let me state what we are actually doing.

We had the surge contract. We have actually used the surge contract—I will hold back the name of the company. I can tell you offline if you want. But, basically, this company is doing what private lenders are doing.

When we moved to this portal, they are processing the loan for us. Under the traditional EIDL, the goal is two loans per day. Under this contract that we are using, where we have this business doing—this bank-type business doing an algorithm, we can do 25 loans a day.

So, we are using the private sector, in a private-public partnership relationship, to process these loans. We could not have processed these loans on our existing platform. That is why we stopped

for 2 weeks. We went and we built this portal with this company, with this institution, and that is what has enabled us to do that.

Definitely, moving forward, this is the path forward. It has increased the cycle times. It has increased the productivity. It has helped us provide quicker, faster service, from that perspective.

Mr. CHABOT. That is good to hear. Because, obviously, injecting some of the private sector and competition into the government—which tends not to be, no offense or anything, a little less efficient, because, you know, we don't compete with others. They do. And we learned that in the PPP program. You know, we had the private sector out there make the loans, and I think that sped up the process tremendously.

My next question: We know more about this emergency today than we did in March. We are also starting to see some businesses return under modified operations. Congress is currently debating the Federal Government's next steps as it pertains to this emergency.

As we continue to have these discussions, where should we concentrate our efforts within the EIDL Program? Where should we make adjustments to ensure the program assists current small-business applicants? And how can we structure the program to be flexible and nimble when the next disaster strikes?

Mr. RIVERA. Well, I have to thank the Committee and Congress from the perspective of what you enable us to do. You eliminated some statutory requirements. The "credit elsewhere" test is not required. We didn't have to get Federal tax returns. So we went truly with just a credit score, from that perspective. You have been very helpful through this process.

As we continue to take a daily look at the amount of volume that we have—we have 8 million applications—in relation to what we process, we will continue to have that discussion, as far as other opportunities that we may have.

Mr. CHABOT. Okay.

How are you and how should we measure the effectiveness of the EIDL Program?

Mr. RIVERA. Effectiveness. I wish I could approve every loan. I really do. We must have a credit standard. We are a loan standard. I mean, our current approval rate is 51 percent.

One of the things that has been different with this new portal is we have a DocuSign-type document where we are able to immediately disburse within the next day. Generally, under the traditional process, it takes us 2 to 3 weeks because we are flipping paper back and forth between us and the small business, where, now, we are 99 percent disbursed.

So, of the $131.9 billion that we have approved, we have already disbursed $130 billion to the small businesses. That is money in their bank. I mean, it is a day turnaround time, from that perspective.

So, it has been a positive experience. That is one of the real lessons learned that we have used from a technology perspective, using the algorithms, using those types of features.

What we need to figure out is how can we better improve on these individuals, these small businesses that we decline. Many of them received grants, you know, the advance, but we are going to

come out with a lessons-learned, and we will be sure to share that with you when this COVID period ends and we can move on and look back from that perspective.

Thank you.

Mr. CHABOT. Thank you.

My time has expired, Madam Chair.

Chairwoman VELAZQUEZ. Time has expired.

And now the gentlelady from Kansas, Ms. Davids, is recognized.

Ms. DAVIDS. Thank you, Chairwoman Velázquez and Ranking Member Chabot, for holding this hearing today.

The Economic Injury Disaster Loan Program, or EIDL Program, is definitely meant to provide an immediate lifeline to small businesses who are struggling to stay afloat during the coronavirus pandemic. But I have heard from too many small businesses, small-business owners in my community that, you know, they are experiencing chronic delays, a lack of transparency in response to their applications.

And I know we have kind of been talking about that this morning already, but, Mr. Rivera—first of all, thank you for joining us today.

You know, as I have heard from my constituents and witnesses in this committee that the Chairwoman referenced earlier around their frustration, I am curious about, you know, whether or not you all are working to provide more step-by-step information for applicants and then, you know, whether or not you are going to be able to have more frequent and open communications going forward. Because, you know, you are talking about the technological and operational work that you are doing, and I am just curious what that is going to look like going forward.

Mr. RIVERA. The current portal that we are using is exclusive to COVID. And what we have done is, we have 1 million to 2 million individuals that are in certain parts of the queue, so we continue to communicate. We have reached out five, six, seven times via email. We are calling these 1 million to 2 million people through our call campaign. We are leaving messages.

If I could fast-forward to today, we are a better operation than we were, you know, 90 days ago when we were standing up. Internally, we had to understand this new portal ourselves. So, in looking back, we should have probably had better communications, been a little bit more transparent when it comes to the 10 steps in the process.

And that is kind of the tactical approach that we are doing right now. As I have mentioned, everybody is in the loan queue. We have processed all of the grants on the 8 million applications that we have received so far. And we are still receiving, you know, 200,000 to 300,000 applications a day since we reopened the portal back in mid-June.

Ms. DAVIDS. Thank you.

And then just really quickly, you know, the local SBA district office in the Kansas City metro area that serves the Kansas Third has done a great job of outreach and has been great at communicating with my office and our constituents.

I am curious about, what kind of coordination is happening and communication with district offices and our entrepreneurial part-

ners? And are there ways that we can better utilize those district offices for that function?

Mr. RIVERA. That is one of the things Administrator Carranza reminds me daily of: no stovepipes, organizationally. We are very collaborative with field operations. We thank field operations. They have given us several hundred employees to help us process these loans.

We have very clear communication. If there is a congressional, for example, that comes in from your district, we have a direct line of 20-plus disaster agents that can provide responses from that perspective. They do have other stuff other than COVID to do, but they spend all their time between PPP and EIDL, as far as communicating back and forth with us.

Ms. DAVIDS. Thank you.

And, you know, the last comment I will make is just, I have appreciated the Chairwoman's work on helping us increase the transparency around who has been receiving the various loans and grants.

And, also, Mr. Rivera, I appreciate the work and your time today. With that, I will yield back.

Chairwoman VELÁZQUEZ. Thank you.

And I am going to take the privilege of using 55 seconds to ask you a followup question of the question that she asked, Ms. Davids.

And that is that, when we held a hearing here with SBDCs, all our partners, they mentioned that they learned of changes made by SBA on rules and guidance from the media. So you need to have better coordination with the partners that are in the field, helping them in providing the information—the most accurate information.

Mr. RIVERA. Yes, ma'am. We agree.

You know, Allen Gutierrez, the head of the Entrepreneurial Development, he is just right down the—5, 10 offices away from me.

The challenge we have is, this was such a new process for us that, as we communicated internally, sometimes people got to the media before we had the opportunity to get to our resource partners. And we clearly understand that we have to do a better job communicating.

Chairwoman VELÁZQUEZ. Okay.

So the gentlelady from American Samoa, Mrs. Radewagen, is recognized for 5 minutes.

Mrs. RADEWAGEN. It is a beautiful morning here in Pago Pago, American Samoa, at 3:30 a.m. And I want to thank Mr. Rivera for being with us today.

Mr. Rivera, can you explain the rationale for initially allowing only agricultural-related businesses access to the EIDL portal for weeks? That caused some confusion here in my home district.

And what do you think Members of Congress should focus on within the EIDL Program as we debate the next steps?

Mr. RIVERA. Regarding the agricultural applications, we process those concurrently. We set up a separate queue where we were continuing to process these loans that were in the queue, and then we set up a different track for the agricultural enterprises. So, they were being processed concurrently, you know, from that perspective.

What could we do different? As I mentioned earlier, the ability to let us not have to do a "credit elsewhere" test, the ability for us not to have to get Federal tax transcripts, from that perspective, a lot of those improvements have just been phenomenal and have enabled us to have a more cookie-cutter approach in order to get this assistance out as soon as possible.

Mrs. RADEWAGEN. Do you believe there is room for private lenders to operate within SBA's Disaster Loan Program moving forward?

Mr. RIVERA. So, you know, as I mentioned earlier, we are using a private-sector organization that has—we had a surge contract post-Harvey, Irma, Maria where that is their portal. So you go into the SBA website, you go up to their portal, they do the algorithm with all the data that they are completing, and then they bring it back to us for a team lead to do the decisioning.

Had we not had that relationship and had we not had that contract, we wouldn't have been able to process 25 loans, on average, per loan officer per day. We would be probably at two to three loans per day, which is not—that is not acceptable.

So, you know, we do take advantage of these opportunities with these private-sector organizations. We had this contract in place post-HIM.

Mrs. RADEWAGEN. Thank you, Madam Chair. I yield back the balance of my time.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

And now we recognize the gentlelady from California, Ms. Chu, for 5 minutes.

Ms. CHU. Mr. Rivera, the CARES Act provided $25 million for SBA to develop resources in non-English languages. And I do want to recognize the agency for publishing several guides and translations in 17 languages.

Asian-American businesses have been particularly hard-hit by the COVID pandemic. And nearly 175,000 Asian-American-owned firms do business primarily in non-English languages. And, in fact, one-third of the community is limited English proficient.

If SBA does not fulfill its mandate to reach these firms with in-language materials and services, they risk being left behind during our recovery.

The EIDL portal remains available only in English, and the agency has still not updated Congress on what actions it is taking to proactively reach out to business owners with limited English proficiency.

So could you explain what specific steps your office has taken to ensure that EIDL is accessible to business owners with limited English proficiency, especially considering we provided $25 million for SBA to develop resources in non-English languages?

Mr. RIVERA. Thank you, Congresswoman.

We translated fact sheets into, I think it was, 17 different languages.

And I am looking at the Chairwoman. I remember, during Hurricane Maria, we choked when it came to the language services.

So, we have a $2 million contract where we use translators. We have not heard anything, from the language services perspective, when it comes to being unable to translate.

We do understand that need. Our application is still in English. We have an application in Spanish. And we will continue to try to figure out how to get more languages as we proceed.

Ms. CHU. Like I said, you have been provided $25 million to translate. And the reason that you haven't heard anything is probably because those people with limited English proficiency are shut out. So I would urge you to translate those applications.

Mr. Rivera, Congress took steps to ensure that sole proprietors, independent contractors, and the self-employed were fully included in the small-business recovery resources made available during this crisis. And that includes the EIDL emergency grant program established by the CARES Act, which Congress specified was to be valued at $10,000 per applicant and, along with a traditional loan, would work in concert with the Paycheck Protection Program. EIDL would provide a quick injection of working capital to meet operating expenses, and the PPP would enable businesses to retain their employees.

I am deeply concerned about SBA's actually rather shocking decision to cap the emergency grant at just $1,000 per employee, as is inconsistent with congressional intent and has had a disproportionate impact on these independent workers, including so many in the world-class creative economy in southern California.

These independent businesspeople also have fixed costs that they are struggling to pay, and many creative industries in my district, in fact, have halted production to comply with public health guidelines.

So you specified in your testimony that the SBA made adjustments to the EIDL grant in order to make the funding last longer, but how does the SBA justify cutting the grant's value by 90 percent for independent contractors and sole proprietors? Does the agency have plans to make adjustments to the grant formula so that it can meet the needs of these types of business owners?

Mr. RIVERA. We put a lot of analysis into these determinations, these decisions. At the agency level, the decision was to do $1,000 per employee. If you were self-employed, you know, zero employees, you received a $1,000 grant.

Had we used $10,000, we would have been out of funds immediately. We did get the first $10 billion, and then we did get the subsequent $10 billion. We are currently—I think this morning it shows we are, like, at $15 billion, $16 billion. We would have been run out of money.

And what we are trying to do, basically, is just provide as much assistance across to as many small businesses as possible. And that is the approach we took.

Ms. CHU. And why is it that you have not deputized SBDCs to provide timely information?

Mr. RIVERA. I have to get back with you. I need to have a conversation with the Assistant Administrator. I thought we were providing clear guidance and clear communications internally.

As I mentioned earlier, the information we have internally sometimes gets out before we are able to distribute it through the entire resource partner network.

Chairwoman VELAZQUEZ. The gentlelady's time has expired.

Ms. CHU. Thank you. I yield back.

Chairwoman VELÁZQUEZ. And now we recognize the gentleman from Ohio, Mr. Balderson.

Mr. BALDERSON. Thank you very much, Madam Chair.

And thank you for being here today with your testimony and answering some of our questions.

A question I was asking was already asked by a colleague, but I would like to expand on that a little bit. Mrs. Radewagen asked you—and I want to continue from her question—about America's small businesses through previous disasters.

You used the example of Hurricanes Harvey, Irma, and Maria as well as floods across the Midwest. Hurricanes Harvey and Irma in 2017 were just weeks apart from each other. For these 2017 storms, did SBA close the EIDL portal for one sect of the population?

Mr. RIVERA. I am sorry. Can you repeat the last part of that question?

Mr. BALDERSON. Yes. Did the EIDL portal for one sect of the population—for these 2017 storms, did the SBA close the EIDL portal for one sect of the population?

Mr. RIVERA. No, I don't believe we did.

I mean, we are working on two different systems right now. We have the Disaster Credit Management System that is handling all non-COVID, and then this specific portal is specific to COVID by itself.

Mr. BALDERSON. Okay.

Mr. RIVERA. We have done a billion dollars' worth of natural disaster loans this year that are non-COVID. So that track continues to go, you know, business as usual, from that perspective.

Mr. BALDERSON. Business as usual. Thank you.

Followup to that: During any previous disaster where EIDL funds were awarded by the SBA, was it ever the policy to shut out applicants from one disaster in order for other requestees to have access to EIDL funds?

Mr. RIVERA. No, not that I am aware of.

You know, EIDL funds are 2 percent of natural disasters.

Mr. BALDERSON. Okay.

Mr. RIVERA. Most of the loans are to homeowners. A lot of people don't understand that Congress gave us the authority back in 1953 for homeowners. The lion's share are homeowners and then businesses. And then, as part of the business loan, there is an Economic Injury Disaster Loan component.

But I am not aware of that, but I can check back with you if there is a misunderstanding.

Mr. BALDERSON. No. Thank you very much.

And, Madam Chair, I yield back my remaining time.

Chairwoman VELÁZQUEZ. Mr. Balderson, would you yield for a second?

Mr. BALDERSON. Yes, ma'am.

Chairwoman VELÁZQUEZ. So is your question related to the fact that the SBA EIDL Program shut the portal just to allow agricultural borrowers to apply for loans?

Mr. BALDERSON. Yes, Madam Chair.

Chairwoman VELÁZQUEZ. So he is asking you if there has been in the history of the EIDL Program any time where one group is

coming in, like the agricultural, the farmers, and then shutting the portal for everybody else.

Mr. RIVERA. Well, we process concurrently. As I mentioned earlier, we continued with the EIDL track, and then we had an ag track continuously at the same time.

Chairwoman VELÁZQUEZ. Yeah, but these are COVID-19-related borrowers, farmers applying for loans. And non-farmers were not allowed to apply, because the portal was shut down for them.

Mr. RIVERA. Well, the—oh, I am sorry. I understand your question now.

Chairwoman VELÁZQUEZ. Why did you make that decision? And who made that decision?

Mr. RIVERA. It was an agency determination.

Chairwoman VELÁZQUEZ. Why?

Mr. RIVERA. Because Congress gave us the authority to make loans to farmers. Disaster wasn't able to make——

Chairwoman VELÁZQUEZ. But Congress didn't give you the authority to shut down the portal to every other borrower that was injured by COVID-19.

Mr. RIVERA. Right. But since we have opened the portal up since June 15, I mean, we accepted those 500,000 applications that were in the queue. So, I mean, they delayed maybe, what, 2 weeks, 3 weeks?

Chairwoman VELÁZQUEZ. Do you realize how many borrowers were calling our offices, crying out because they needed assistance and the portal was shut down for them——

Mr. RIVERA. Right.

Chairwoman VELÁZQUEZ.—and clearly stated——

Mr. RIVERA. I understand.

Chairwoman VELÁZQUEZ.—shut down for you but open for agricultural.

Mr. RIVERA. I understand. And I apologize for not answering your question earlier. I didn't quite understand.

Mr. BALDERSON. I may have asked it incorrectly, so that is okay. Thank you.

Mr. RIVERA. No, no. Thank you.

Chairwoman VELÁZQUEZ. I just would like to have a sense as to why that happened.

Mr. RIVERA. Why the portal was only open for ag businesses?

Chairwoman VELÁZQUEZ. Uh-huh.

Mr. RIVERA. Because, at the time, the decision was, let's let the ag businesses get in.

We have not had authority for agricultural enterprises since the mid-1980s, so we had to stop and we had to retool the system. And then, during that period of time, we also got additional funding. We didn't have funding at the time. We needed to get the additional $50 billion. I mean, so there were some stops and go's.

From the intent of why we went ag only, that was an agency decision.

Chairwoman VELÁZQUEZ. Okay.

I yield my time from Mr. Balderson.

Mr. CHABOT. Thank you.

If the gentleman would yield, I will be very brief.

Just for those dozens of people who might be watching at home, the thing that we have to have out there is the fact that the EIDL loan program was not open to agriculture or farming originally, and then we passed legislation to open it up to the ag community. So, for a period of time, it was only open to the ag community, although the applications were still there, and then it has reopened again.

So, I mean, that was the reason behind this. Because it hadn't been open, so you had people in the ag community that weren't even eligible for a long time. Then they were.

Now, I mean, I understand why we might at this point argue with that decision. I had people in my district that were not ag that were wondering, why can't we get this?

But that was the reason, correct?

Mr. RIVERA. Yes, sir.

Mr. CHABOT. Okay.

Thank you.

Chairwoman VELÁZQUEZ. Badly communicated to the general public.

Mr. RIVERA. I understand.

Chairwoman VELÁZQUEZ. Now we recognize the gentlelady from Minnesota, Ms. Craig, for 5 minutes.

Ms. CRAIG. Thank you so much, Madam Chairwoman.

Mr. Rivera, I am sitting here, and this isn't my prepared question, but I just want you to understand, if you really believe that "The agency could do better" is the best response to the performance—you know, I have a lot of businesses in my district who, if this were the kind of customer-service level that they had provided, they would be out of business 3 months ago.

You know, I am sitting here today going through my email, because I have folks in my district who applied and heard crickets for months. No response from the EIDL Program application.

I have a gentleman in my district who finally got a response from you that there was missing information on his application. And we even elevated this to the regional acting director in my office. We were told there was a 24-hour email line that Members of Congress could use in order to help our constituents get a response on their EIDL loan applications. Nine days later, we got a response to that email that says there was missing information, and still not telling us, so that we could tell our constituents, what information was missing or what was needed to help that application.

So the Chairwoman has brought up the lack of communication, but I am just telling you, in case no one else on your team is telling you directly, that the customer-service levels our constituents are facing is terrible in this program.

And I understand—I spent 22 years working in business before I came to this Congress and came to this committee, so I understand the volume. I understand that you guys are under a lot of pressure to respond here.

But 6 days ago, I sent a response, again, asking for someone, please, to help this constituent, and I am sitting here today and still we have no response. And I am a Member of Congress. I can't even imagine what is happening on a daily basis inside the customer service group.

And so, you know, I just want to make sure no one is sugarcoating this for you, because I am not going to sugarcoat this for Minnesotans or for the American people. The administration of this program has been absolutely terrible.

I just want to say also that, you know, I understand this meeting is about EIDL. And I didn't come here today—I came here to ask a question, but somebody has to tell the truth about what our constituents are facing.

And I appreciate the hard work you have done, Madam Chairwoman, to finally get a member of the SBA to come in front of this committee.

I have sent a number of letters to the Administrator, Ms. Carranza. And I want to make sure that, during this hearing, I also have an opportunity just to say that the response on the PPP program has been equally unacceptable.

I understand that, for a recent GAO report, your Administration waited until the very last day to respond to requests for data to the Government Accountability Office and only replied when that data had already been made public.

Why are loan-level data not being released at this time, even to the Government Accountability Office?

We need a commitment to release a comprehensive list of firms who applied for and received aid under the PPP. We need to make sure that transparency is essential to understand that these funds went to good use. See, that is our role as Members of Congress, to make sure that we are doing the best job that we can to oversee the use of taxpayer dollars.

So, Mr. Rivera, I want to just say, I appreciate you being here today, number one. I know that this isn't going to be all that much fun. But I want to make sure you understand that what has been happening, understanding there have been a lot of challenges with the volume, is simply unacceptable.

Mr. RIVERA. So, thank you for your comments. We don't take it lightly when we are not providing the customer service that we need to do. If we can talk offline, we can see whatever the issues are.

As I mentioned, you know, this morning's report. We get individuals on the loan side through in 5 days; grants, 2 days. Was the service slower before? Yes. Are we still getting—you know, we passed 7 million calls at the call center yesterday.

A lot of work for a lot of individuals, and we are doing the best we can. And if there are opportunities on how you can help us or if we need to get better service with you, just let us know; we will be glad to provide that service.

Ms. CRAIG. That is what I was told a month ago.

Mr. RIVERA. Okay. Well, I will continue to do my best. I don't know what else to tell you from that perspective.

Ms. CRAIG. Thank you, Madam Chairwoman. I yield back.

Chairwoman VELÁZQUEZ. The Chair recognizes the gentleman from Oklahoma, Mr. Hern.

Mr. HERN. Thank you, Madam Chair.

Thank you for being here today and answering questions regarding the EIDL Program.

I always find it interesting when we complain about inefficiencies of government yet have colleagues who want to make it bigger. It has always been perplexing. Because I have been around, as you can tell from a few gray hairs, a while, in business for 35 years, and I can't think of any agency in government that has ever been very efficient, as compared to industry that is accountable directly to a customer for its existence.

With all that said, we have spent a lot of time—in fact, all of our time—here today talking about the current history of the program and how it has compared to other programs that you have been involved in, with either 9/11 or geographies, wind disasters, and things like that.

I would ask you to compare those two. I have heard a lot of this, as it pertains to business interruption insurance, why it is not viable for a national pandemic or a national disaster versus a localized geography disaster.

One thing I would ask you—and I think this would be a very bipartisan request that shouldn't be controversial at all. It should give you a chance to perform at a very high level. There is very fresh, this is very raw, these comments coming from here and from your customer base, the people applying for the loans.

Could you commit to us between now and the end of the quarter, now that we are in a new quarter, Q3, so prior to any potential administrative changes, you know, people running the agencies or whatever, could you commit to us about assembling best practices that you have learned from this that you could apply?

It is very difficult to take—and I know you have done it with your experience—try to take a localized disaster and extrapolate that across a national disaster. You have tried to do that, and you are a little behind the eight-ball on that, or a lot behind the eight-ball in certain areas. But it would be very easy to take a national pandemic disaster and localize it.

So if we could get from you a commitment from you at this hearing today that you and your team could put together a playbook, if you will, for a simplistic term, that would identify things you should do better, like who you should communicate to and when you should communicate it and what should be communicated.

Because we can all sit here and talk about learning, as we did in our office, about the $150,000 cap from The New York Times or The Wall Street Journal or the Washington Examiner, we could go through all of these different things; it doesn't solve our problem, and it doesn't prevent those problems from happening in the future.

We need, kind of, skin in the game, a commitment in the game, because then that carries on beyond the ideas and the things that are going to make it work in the future when this happens again—and we hope it is a long time and none of us are here when it happens again—but those in the future. Because I think history matters. It matters a lot. It identifies what we shouldn't do again and what we should do right the next time.

If you could help us put that into a format that could be given to this committee so that we can hold each other accountable and remind each other of what we need to be doing as we go forward. Can you commit to that?

Mr. RIVERA. Absolutely.
Mr. HERN. So September 30, 2020?
Mr. RIVERA. Absolutely.
And if I can just have, like, 15 seconds.
Mr. HERN. Sure. You can have a minute and 34 seconds.
Mr. RIVERA. Okay. Thank you.
COVID—viruses were not in the Small Business Act before March the 15th. We weren't responding to COVID.
We do have a playbook. You know, we have the Disaster Preparedness and Response Plan. It is for natural disasters. I think we have proven ourselves when it comes to a Harvey, Irma, Maria footprint. You know, we had a 15-, 20-day response——
Chairwoman VELÁZQUEZ. Not in Puerto Rico.
Mr. RIVERA.—for——
Mr. HERN. Mr. Rivera, if I may, though. I would acknowledge that you have those. And that is because we have all had to deal with regional disasters.
But now we have, in our lifetime, in our legislative lifetime, in your administrative lifetime, executive branch lifetime, you have a national pandemic. And we don't have that, from 1918 Spanish Flu, to rely on now. Because I would imagine, many of the things that we had then, sans the technology, would be doing the same. We would be communicating in a different format then, but we had the ability to instantly communicate.
And I had people calling me, like many others did. They thought they were going to apply for a $2 million loan. They go through all the process and told $150,000, and, in their mind, they have wasted a lot of time. They could have gone to a bank and stood up their business quicker.
So there was just this lack of communication, which is usually what destroys most relationships and everything that we do. So if we could just get a communication process plan that, again—and I took a minute and 20 seconds of your response time.
But I am acknowledging that you have good regional disaster plans, because we, unfortunately, have to deal with them time and time again, year after year. But it could be 20, 30, or 40 years again, but we will indwell forever in the congressional records and possibly through legislation a process for how to handle national epidemics/pandemics as we go forward.
Mr. RIVERA. Yes, sir.
Mr. HERN. Thank you.
Mr. RIVERA. Thank you.
Mr. HERN. I yield back.
Chairwoman VELÁZQUEZ. The gentleman yields back.
And now we recognize the gentleman from Minnesota, Mr. Stauber.
Mr. STAUBER. Thank you, Madam Chair.
And I appreciate, Mr. Rivera, your being here.
You know, we know that the Small Business Administration was really given a nearly impossible task. Overnight, they were asked to assist every single small business across our Nation that fell on hard times. And I commend the work you have done thus far, but there is a lot more to do.

I do want to share some concerns that were brought up here earlier from my constituents. It seems that the SBA has taken some liberties to reduce the cap of loans given out, from $2 million to $150,000. While this is likely to ensure the maximum number of businesses receive some sort of funding during this crisis, my constituents are rightfully upset. They feel they are being cheated out of what they were promised by our government.

With that said, I will be focusing my line of questioning on the portal.

Can you share with us what the SBA is reviewing exactly when an applicant sees, quote, "Processing" in the EIDL portal?

Mr. RIVERA. Sure.

This is the first time—because we used a streamlined application—we actually identity-proofed every small business that came in. So, for example, the business name needed to be the same as the name on your checking account. We identity-proofed addresses. We identity-proofed a lot of these processes.

As we moved the small business from the application portal into the loan portal, that was a quick credit check based on a credit score. And once you passed that credit score, then we determined economic injury, 6 months of working capital.

That is what the loan was based on—working capital, economic injury. It is pretty simple. It is sales minus cost of goods sold, so whatever the gross profit was. That is basically your loan, from that perspective.

The EIDL loan program is meant to pay for fixed operating expenses. It is not for expansion or, you know——

Mr. STAUBER. Right.

Mr. RIVERA.—similar to 7(a), 504s.

But those were some of the requirements that we looked at.

Mr. STAUBER. Okay. With that being said, what is the average time between an application being submitted and the decision being made?

Mr. RIVERA. Currently, we are running 41 days. For the 5.5 million applications we process, we are running 41 days.

Mr. STAUBER. So what is the hurdle that slows this process, from the time the applicant——

Mr. RIVERA. Well——

Mr. STAUBER.—comes to 41 days?

Mr. RIVERA. Yeah. The staff, the amount of volume, standing up the portal.

We had three stops in this process that is included in the 41 days. We ran out of money. We had $7 billion; then we got the additional $50 billion.

We had to build the portal for—we had to stop and do a new application when we got the grant program. We had to stop and do a new application when we got the ag component to it.

So, there have been three hard stops in that process.

Mr. STAUBER. So my colleague from Minnesota brought up a good point. When you have an application and they have waited days and days and they call and you have said it wasn't filled out correctly, is there a faster way to do that immediately?

Mr. RIVERA. Yeah. So, we have learned a lot when it comes to filled out correctly. We weren't requiring tax transcripts. We

weren't requiring any other due diligence. It is a self-certified form, from that perspective.

So, I need your help if you have examples of where you say that somebody said it wasn't filled out correctly. I am kind of curious to see what exactly they are being asked for.

We are very crisp on, when we do the decision, we decision it and then we move on. And then they have the opportunity to come back for reconsideration.

Mr. STAUBER. What is the SBA doing to ensure applicants have the most access to the information, guidances, status updates, and other important information during this economic downturn?

Mr. RIVERA. Yeah. So that is one of the things—looking back, specifically for the EIDL Program, we didn't have a transparent portal for the small-business owners as we do with the Disaster Loan Application Portal. Congress gave us that directive years ago, so we built this portal so you can go in and you can figure out where you are at in the queue, from that perspective. We didn't do that. In hindsight, we should have done that. And, you know, that is a lesson learned that we have.

Mr. STAUBER. Well, I appreciate you being here and taking our questions. I mean, the goal is, when you know better, you do better. This pandemic came to our shores through no fault of our own, and we are going to get through this together. But we need you and other members at the SBA to really understand livelihoods are at stake, much of our economy is at stake, and small businesses are the engine of our economy, and we are going to need much more help.

And I yield back. Thank you.

Chairwoman VELÁZQUEZ. The gentleman yields back.

And now we recognize the gentleman from Florida, Mr. Spano, for 5 minutes.

Mr. SPANO. Thank you, Madam Speaker. I appreciate that.

And I just would like to associate myself with many of the comments related to concerns expressed about communication. I will say, in my district, I got literally hundreds of calls with respect to the frustration that business owners were having getting information and not having questions answered and so forth, not knowing about the status of their applications. And so, just want to reiterate that. We can do better, and we have to, frankly.

What is the current level of funding that remains under the EIDL Program?

Mr. RIVERA. So, we have $360 billion, and we have loaned $130 billion——

Mr. SPANO. Okay.

Mr. RIVERA.—so what is that?

Mr. SPANO. About——

Mr. RIVERA. 230.

Mr. SPANO. 230. Okay.

Mr. RIVERA. Yes, sir.

Mr. SPANO. Do you have any projections as to how long those resources will last, given the current run?

Mr. RIVERA. We do that in-house daily. We have a meeting with the Chief of Staff, with the Chief Financial Officer, with the Chief

Operating Officer. There is a team of about five, six individuals, and we do that analysis daily, from that perspective.

We have a queue of 8 million. We feel that we can—there is room with 8 million, at some point. I am not sure when.

Mr. SPANO. All right.

Mr. RIVERA. But we do that analysis daily.

Mr. SPANO. Your best guess would be, we are going to run out in a month? We are going to run out in 3 months?

Mr. RIVERA. No, I am not——

Mr. SPANO. What would you say?

Mr. RIVERA. I apologize, I am not in the guessing game.

Mr. SPANO. Yeah.

Mr. RIVERA. This analysis is pretty comprehensive. It contains a lot of factors—our approval rate, how many applications are pending——

Mr. SPANO. Okay.

Mr. RIVERA.—from that perspective.

Mr. SPANO. Let's go this route. At the current rate, the burn rate, what are you extending in loans per week right now?

Mr. RIVERA. We are running—and I can share this information with you. I mean, we have had some big weeks. Last week, we did $14 billion in approvals.

So, you know, our biggest week was the week of May 31, $24 billion. By the way, Katrina, Rita, Wilma was $11 billion, so we did two Katrinas in a week—Katrina-Rita-Wilmas in a week.

So, you know, I haven't put the math on this $14 billion, $15 billion, but if you are looking at 200-and-something, a couple of months.

Mr. SPANO. Okay.

Over the last couple of weeks or several weeks in June, let's say, has the number of loans extended gone—or the amount of loans, given has it come down each week?

Mr. RIVERA. We have fluctuated between 200,000—I mean, the week of May 31, we did 400,000 approvals; the week of June 7, 200,000; the week of June 14, 300,000; the week of June 21, 300,000. So, it is pretty steady-state.

Mr. SPANO. Okay.

One of the things that has been mentioned was the decision to cap the amount of the grants at $1,000 per employee. That was my understanding. Why was that decision made? And second question is, was that communicated to applicants and was it communicated to Members of Congress prior to the decision being made?

Mr. RIVERA. So, the decision was based on—at the time, we had $10 billion. We have approved 4.8 million applications, so we would need $48 billion. We have 20. So we based the 1-to-10 based on, you know, some due diligence we did. We communicated when we had the discussion with the small business committee.

Mr. SPANO. Okay.

Mr. RIVERA. We didn't communicate, you know, the 1-to-10 ahead of time, and, in hindsight, we probably should have.

Mr. SPANO. Yeah, I think that probably would have been a good idea, because we were getting calls from our constituents saying, I just got $3,000 dumped into my account last night, but I have no idea why it was $3,000.

Mr. RIVERA. No, that is a really good point.

Mr. SPANO. Yeah. Yeah. So that would be helpful. I think that goes in line, again, with the importance of communication, I think, that some of the other members have expressed concern about.

That is all I have. I yield back. Thank you.

Chairwoman VELÁZQUEZ. The gentleman yields back.

And now we recognize the gentleman from Illinois, Mr. Schneider.

Mr. SCHNEIDER. Thank you, and good morning. And sorry, I was on the floor speaking, so I am just getting here and catching up, but wanted to touch base.

I know this has been a challenging time for the SBA over the last several months. It is a challenging time, obviously, for our country. I had a conversation on Monday with the Administrator, talking about some of the issues we face with the EIDL Program.

I know I heard from so many people about the uncertainty—we are in uncertain times, to begin with. This virus, the pandemic, the response has created so much anxiety for businesses. Will they be able to get through just day to day? And we piled on top of that, unfortunately, with so much of the stutter steps and challenges we faced with the loans.

In my own district, as an example, we had a wonderful webinar. The SBA folks in Illinois are working so hard and just, you know, bending over backwards. But they told our businesses—and there were 1,000 people on this call—that they would have a decision within 21 days—or, the money within 21 days and the advance, $10,000 advance, within 3 days. Obviously, that didn't happen.

So I guess where I would start with is, you know, we are where we are now. We have the decision of the $150,000. We have the change in how that emergency $10,000 was let out. June 30 has come; it is July 1. What do we tell to our businesses? How do we give them the confidence that the SBA is going to be there for them, is going to give them the information?

You know, I can order a pizza and track it from the time of order to delivery, every step along the way, and know when it is going to arrive. Our businesses should be able to at least have a similar sense of, when they apply for a loan, how much they are going to get and when they are going to get it.

Mr. RIVERA. So thank you for spending some time with the Administrator in the call that we had on Monday.

So, today—let me fast-forward to today. Over the last—since the beginning of time since we started this in mid-March, we are running about 41 days to fully process these loans, approve/decline, from that perspective.

What are we doing right now? I looked at this morning's report. We are processing grants in 2 days. We are processing loans in 5 days. Everything has been processed that is not in this application portal; it is in either the loan queue or the grant queue, from that perspective.

So, you know, in hindsight, I wish we could have been quicker. I wish we could have maybe been a little bit more communicative, now that I am hearing a lot of——

Mr. SCHNEIDER. This is going to come off more harsh than I mean it, but, you know, we went through this crisis, we did try to

slam a whole lot through a small pipe in a very short time, but, being perfectly honest, when I hear, "We are doing really well now," that is kind of like the diner saying, "We got crushed at lunch, but at 3:00 in the afternoon things look fine."

But I know there is going to be a dinner hour. I know that, as these loans, the money that companies have borrowed is consumed, they are going to need to come back and they need more help. I am confident that, in a bipartisan way, we are going to find a way in Congress to help these companies.

What is the SBA doing today, in that afternoon lull, to make sure that when we get to the next rush that we won't fall back into the 41-day timeframe?

Mr. RIVERA. Well, we don't consider 2 million to 3 million applications in the queue a lull right now. I mean, we are still working 7 days a week, you know, the 10 to 12 hours a day.

We have learned a lot, but what I meant to say or what I intended to say is that we are a better organization today than we were when we started this process back in mid-March. The system is working faster. We have individuals through the queue. We have gone from 1,000 employees up to 7,000 employees. We are better trained, we are better prepared, as we continue through this journey.

Mr. SCHNEIDER. Are there specific changes that you have to improve that? Are the changes completed and ready to go? And if they are not completed, what is the timeline to get them complete?

Mr. RIVERA. So, we are pretty complete from the perspective of things we have learned as we go through. I mean, every week, we have a different build to address a specific issue. So we are in a good place right now, but we still do have a lot of work that we need to complete.

Mr. SCHNEIDER. Okay. And I know this is changing week to week, but that is one of the frustrations so many businesses had, is that things kept changing week to week coming from the SBA and Treasury. The instructions kept changing on the EIDL loans. There was an Application 1 and then an Application 2, uncertainty of whether I was going to keep my place in line if I did the first application when I applied for the second application.

I know we are going to have to be flexible, we are going to have to adapt, because this virus is so dynamic. But what confidence can you give not just me and my colleagues but every small business in this country that the SBA is going to provide some stability in this storm?

Mr. RIVERA. Well, I mean, we pride ourselves on customer service. I know we have not been successful, in many individuals' minds. But we have provided this $130 billion to 2.1 million small businesses that employ 11 million people. I mean, so I think we have had some level of success.

Could we do better? Always. I mean, we continue to strive to be the best. And that is why we continue to have these weekly sessions where we try to figure out what is the challenge that we need to address next and continue on.

Mr. SCHNEIDER. Okay. And I don't want to question your intent or any SBA employees' intent. I know how hard everybody is working. I know that we are asking the world of you. But, at this

moment, in this crisis, we need the world from you. And we are here to give whatever help we can, but we really need the SBA to step up and deliver in the next round.

With that, I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

And now we recognize the gentleman from North Carolina, Mr. Bishop, for 5 minutes.

Mr. BISHOP. Thank you, Madam Chairwoman. And sometimes there are advantages, I think, from being dead-last or close to dead-last.

Thank you, Mr. Rivera, for being here.

I want to take a moment to say how excited I am that we are back in our committee room or in a committee room. I think it benefits the dynamic, and for those who can or desire to be here, we can have that interaction in person.

I want to thank, momentarily here, Joe Hartz of our Committee staff for his work in enabling me to do that even when we weren't in a committee room.

And in the comments, I think, here on the topic, Mr. Rivera—and I thank you. I was listening to the arrows coming at you, and, you know, maybe some of them are partially deserved, and you have to take them all.

I want to associate myself with the comments of Mr. Hern, in particular, and I wanted to sort of strike a balance in what I ask you. Because I do think it was striking to me, reading your testimony—and there was one part I wasn't 100 percent clear on. And the numbers probably would, you know, make people's eyes glaze over a little bit. But when you talk about, you know, all of the disaster loans approved by the SBA since 1953, you know, this was, like, by a factor of a couple more bigger than that. I think I have that right.

And even if you get down to businesses, I think it said all the business disaster loans up until COVID-19 are, like, 20.9 billion. And then the numbers—I don't think this is just business loans, but the ones approved as of June 26, over 125 billion. It is just a ton of work that you were saddled with.

I do have this observation, though. As I heard, you were talking about a 41-day turn time. When Congress—and my being a new Member—when Congress first appropriated money in that pre-CARES Act to the Disaster Loan Program, I was gearing up to go out and evangelize that. And then I heard from talking to the regional administrator in my State that it took 30 days, roughly, to get a loan out, and I was like, "Whoa, why so long?" And then I talked to a Member who said the Disaster Loan Program is really kind of a disaster.

And so I don't know what the—I don't have the experience to know what the background was. So I have heard the Chairwoman speak about it here today a bit, a variety of topics that have been raised. I think the thing is that, you know, we have a culture in which, you know, people expect pretty good speed, and they are dealing with the private industry, Rocket Mortgage or whoever else, and things happen pretty quickly.

Do you try to establish standards, though, for the program, not just in this crisis period but before, to compare yourselves in terms of speed and efficiency and effectiveness to the private sector?

Mr. RIVERA. We do.

As I mentioned, when I was first having this discussion with Administrator Carranza—we have a Disaster Preparedness and Response Plan. It has four levels: you know, zero to 50,000 applications; 50 to 250; 250 to 500; and 500-plus. We give ourselves 15, 30, 45, 60 days. That was out of the window day one. This COVID is not the disaster model that we have ever followed. We had to just start from scratch.

We do use that private-sector company that does lending, and we use that platform, but we had to stop for 2 weeks in order to develop that platform, because, you know, I can't survive—"survive" is not the right word—but two loans per loan officer per day is not acceptable. I mean, we are doing 25-plus.

So, we are trying to use as many private-sector best practices that we can. Had we not had that Harvey-Irma-Maria contract for surge, we would have had to have gone out.

So, we thought we were prepared. We learned a lot.

Mr. BISHOP. Yeah.

Mr. RIVERA. The level of preparedness is just something that we need to continue to work on.

Mr. BISHOP. You mentioned one thing that struck me, that you began to use DocuSign. And what struck me about that, frankly, was, people have been using DocuSign with me as a private individual for a decade maybe, maybe more. Why not earlier on things like that—that as an example and things like that?

Mr. RIVERA. Yeah. That is part of being the government. We are just trying to use the money as judiciously as possible.

But it is a proven fact now, we can get a disbursement out in a day. So everything is digital from that perspective. The platform is there. We just haven't gotten around to spending the money for that, but now that we have that, I mean, that is the path forward.

Mr. BISHOP. I think, bottom line—I will say this—I think some of the blame is borne by Congress. We appropriated money to that program. I was ready to go out and sell it, tell people that was a path for relief. I think those Members in Congress had a reason to know that that was going to be a problem, and those expectations were, in part, created here.

I do commend you, and I encourage you to think of the private-business way as often as possible, because I think if you are chasing a service standard that you see in the private sector, you are probably going to do a better job than excluding that from your thought.

Thank you, sir.

Mr. RIVERA. I understand. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back.

And we are going to go to a second round for any member who wishes to make any questions.

I have two or three questions, Mr. Rivera.

So you said before that the denial rate was 48 percent, right?

Mr. RIVERA. Yes, ma'am.

Chairwoman VELÁZQUEZ. And that represents, out of 5 million, 2.5 million people.

Mr. RIVERA. Yes, ma'am.

Chairwoman VELÁZQUEZ. So what recourse does an applicant have if they feel they were wrongly denied? Who conducts those reviews, and what is the average processing time?

Mr. RIVERA. So, when we decline somebody, we give them reconsideration rights.

We went off strictly a credit score. I mean, that is the fast process that we used. When we go under reconsideration, we ask for—if they are a self-proprietor, we ask for a copy of a Schedule C or some type of business application that shows—because there may be repayment ability even though you have a lower credit score.

That is the historical approach——

Chairwoman VELÁZQUEZ. Okay.

Mr. RIVERA.—so we are using that approach.

Chairwoman VELÁZQUEZ. But you just said that this pandemic, or this disaster, is unprecedented. There is no comparison. So why is it that you didn't consider the national impact of this pandemic? Did SBA at any time consider modifying the underwriting minimums?

Mr. RIVERA. Well, the credit score we use is D paper, if you look at the private sector. It is not A, B, C. It is D paper. The credit score is pretty low. And, unfortunately, I mean, we have to set up a standard, and that is the standard we use. We could have lowered it, but the risk associated with lowering it was the decision we didn't make.

Chairwoman VELÁZQUEZ. Okay.

So what do you need today from us?

Mr. RIVERA. I think we are in a good spot. Obviously, we need to do better communication——

Chairwoman VELÁZQUEZ. Okay. So let me ask you, given the fact that we have seen a spike in the virus in different places and also that some States are either shutting down or halting reopening, those businesses are going to be impacted. Florida, Colorado, Arizona. Do you expect for many more millions of businesses to apply for the disaster——

Mr. RIVERA. So the declaration period for the Economic Injury Disaster Loan Program is 9 months. It runs from the middle of March to the middle of December, I mean, so we will continue to process any applications we have, you know, as long as there is funding available.

Chairwoman VELÁZQUEZ. As long as the money is there. So my question is, do you think that, based on what is left—how much money is left in the EIDL Program?

Mr. RIVERA. We had $360 billion, and we have spent $130 billion, so we have $230 billion.

Chairwoman VELÁZQUEZ. And so are you making or doing any economic impact of the trend that we are seeing in other States?

Mr. RIVERA. We are responding to the 8 million applications we have. I mean, we have not done the analysis of another pandemic, from that perspective, I mean, but we do a daily analysis on how much money is left and what is in the queue.

Chairwoman VELÁZQUEZ. So this is the thing. You, the Administration, requested $50 billion. I supported $100 billion, and SBA said that they needed half of that. It is showing that you needed more than half of that.

Mr. RIVERA. I am not sure how I am supposed to respond to that. I mean——

Chairwoman VELÁZQUEZ. Okay. Well, I am just warning you.

Mr. RIVERA. Okay. I understand.

Chairwoman VELÁZQUEZ. My time has expired.

The Ranking Member, Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chair. I won't use the whole 5 minutes, but just a couple of followup questions.

Mr. Rivera, I think, when asked about the period of time that it was ag only that you were accepting, agriculture only applications, I think you said 2 weeks.

In conferring with my staff, we seem to think it was longer than that. Maybe from mid-April to mid-June, approximately, that it was only ag applications that you were taking. Can you clear that up?

Mr. RIVERA. I need to fact-check myself.

Mr. CHABOT. Okay.

Mr. RIVERA. I will get back with you on that.

Mr. CHABOT. Okay. That is fine. I am not trying to put you on the spot, but I do think it is longer than that. Because I know we were getting inquiries not only from people in my district but talking to other Members of Congress as the Ranking Member of this Committee, and it was, I think, an extensive period of time. So if you could check on that, we would appreciate that.

And then, on that same topic, on that ag-only period of time, just for future reference, it would seem to me that there was maybe some more reasonable accommodation to those folks who were not ag during that period of time.

Since ag folks didn't have access, I certainly appreciate you might want to get more of those folks, because now they are eligible, so you want to take care of them. That is certainly understandable. Maybe just, you know, pulling something out of the hat, maybe 50/50 or so, to say, okay, 50 percent is going to be set aside for ag, because you have never had it before. But there was still, I think, a considerable need, demand, for non-ag small businesses who needed these EIDL loans.

So, just for future reference, I would just suggest considering something like that or consulting with Congress. Because we really didn't have much, if any, input. Some of those decisions were coming out, and we were having considerable difficulty getting our phone calls responded to—understandably. You were very, very inundated with trying to help people all over the country, and that was your number-one priority. But, just for the future, we can get better, I think.

If you want to comment, go for it.

Mr. RIVERA. Understood.

Mr. CHABOT. Sure.

Mr. RIVERA. Thank you.

Mr. CHABOT. Oh, you agree.

Mr. RIVERA. Yeah, no, I agree. I think the communication piece needs to be——

Mr. CHABOT. I appreciate that.

And then, finally—and this is something we have all said, so I am not going to beat a dead horse here, but the frustration on both sides of the aisle. More than anything else, we just need to communicate better with each other—the Administration, the Congress—so that we can communicate with our constituents all over the country, who are, after all, the backbone of the American economy. Half the people who work in America work for a small business. About 70 percent of the new jobs created in the American economy, small businesses.

So, you know, you all just need to communicate better with us and the American people so that we can communicate better with the American people too. Okay?

Mr. RIVERA. Okay.

Mr. CHABOT. Thank you.

Mr. RIVERA. Thank you.

Mr. CHABOT. I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

And now we recognize the gentleman from Pennsylvania, Mr. Evans, for 5 minutes.

Mr. EVANS. Thank you, Madam Chairwoman, and thank you for your leadership on this discussion.

When the EIDL Program first launched, many business owners in my district were very excited. However, that excitement has turned to frustration. Many constituent business owners have reached out to my office because they are waiting weeks or months to hear anything about their EIDL application. They were denied EIDL loans because of unsatisfactory credit scores, including my constituents.

Now, the Chairwoman raised this in her introduction discussion, and the pharmacist that she talked about is someone who is in my district who testified before this Committee.

All except one of the constituents denied—one Black. In fact, Black business owners in the U.S. have declined the most of any ethnic group, at 41 percent. This is quite concerning, coming from the city of Philadelphia, where over 40 percent of the population is African American.

In addition, the information contained in the denial letter from the SBA was very sparse, as SBA did not indicate what application credit scores it was looking for.

So the question I would like to ask: The CARES Act provides the SBA may use alternative appropriate methods to determine an applicant's ability to repay beyond their credit score. Does SBA consider applications based on criteria other than credit scores? That is the question I would like to ask you.

Mr. RIVERA. So, to respond to your question, we started with credit score as part of the streamlined application, and if you want reconsideration, you can provide us with a copy of your tax return. We can get a tax transcript through the IRS. I mean, that was something that was waived by Congress.

So, we use that as an indicator. And, you know, if the businesses come back and they ask us for additional assistance because they

were declined, we can determine cash flow based on what they have reported, you know, to the IRS from a tax transcript perspective.

Mr. EVANS. Uh-huh.

I would like to then follow up with a couple other questions.

Do different staff from the Office of Disaster Assistance handle the non-COVID disease loan applications?

Mr. RIVERA. So, we have a dedicated team that is working on natural disasters. We have done a billion dollars' worth of natural disasters this fiscal year. We did $500 million in Puerto Rico from the earthquake that was earlier this year. And then we have dedicated teams that work on the COVID effort.

Mr. EVANS. Is the processing time for these applications still within the normal timeframe?

Mr. RIVERA. Well, according to our historical goals, we were supposed to process 500,000 applications in 60 days. We have done 5.5 million in 41 days. So, we are exceeding the internal goals. But, the goal is a goal; we need to get the assistance out as soon as possible, from my perspective.

Mr. EVANS. Is there a need for additional staff?

Mr. RIVERA. We are at 7,100 employees. We haven't stopped hiring. We are trying to get as many staff on board—one of the things—and let me just, if I can pivot for just a second. We talk about the private sector. We contracted with a company that allows us to have call agents 24/7. So we are open. And it is just based on need.

It has been a phenomenal contract. It enabled us—of the 7,100 employees we have, I would say probably 2,000 to 3,000 are contractors. We have a traditional model where we have 1,000 core employees and we have 2,000 to 3,000 reservists.

So, you know, the combination of all these different factors is what we used in responding. We haven't stopped hiring, though. We will continue to hire until this event is completed.

Mr. EVANS. One last question. If you had to rate the program yourself, particularly relating to how the African-American community is affected, how would you rate it at this point?

Mr. RIVERA. So, we don't collect ethnicity or race information in the Disaster Loan Program. We haven't collected that information since 1994. We don't know who an applicant is, you know, from a race perspective. We treat all applicants equal. From our perspective, a disaster is a disaster, and we focus on the disaster survivor and the small business, in this case.

Mr. EVANS. Yeah, I understand that, but I guess what I am asking is, from a processing standpoint, I am not asking if you do it based on race, but in terms of how you think it has been effective. Because you obviously heard people raise questions about its effectiveness.

Mr. RIVERA. [Off-mike.]

Mr. EVANS. Hello?

Chairwoman VELAZQUEZ. He cannot hear you.

Mr. RIVERA. Sorry. We—I forgot what I said. We——

Chairwoman VELAZQUEZ. Well, time has expired, if you don't mind. But you could answer his question.

Mr. RIVERA. So, we process—so, if I am a small business—you know, 41 days sounds great for me. But if I am the small-business owner and needed money in day 5, day 10, you know, that is the relevant point. So, we are trying to get the job done as soon as possible.

Chairwoman VELÁZQUEZ. Time has expired.

And now we recognize the gentleman from North Carolina, Mr. Bishop.

Mr. BISHOP. Mr. Rivera, I am pleased to have an opportunity to pursue that just a little bit further. You just said 41 days sounds good to you. And just give me a little bit more insight. I am a layperson from the perspective of how you originate loans.

I have heard in the course of the hearing, listening carefully, that you were absolved of the obligation to do some things. Like, getting a tax transcript in each case is not necessary. You have to do some things to identify people, confirm the identification. I get that. I don't know whether there might be some shortcuts. I know you have to get documents signed. We talked about DocuSign, and disbursing that could be done pretty quickly. I heard that you have the credit score, which is a significant piece of information.

What else has to be done by a loan officer?

Mr. RIVERA. The loan officer historically gets—in an 8-hour day, they got 4 hours to review the credit. We now give them 15 minutes. So we have really streamlined that process. I think the challenge we just had was basically the sheer volume we have experienced.

Mr. BISHOP. Okay, but what are they doing in the course of that review? For example, if you have a range of credit scores that are acceptable to SBA—and I am a loan officer; I don't need 15 minutes to look at that credit score. I am trying to understand what else they have to do——

Mr. RIVERA. Okay.

Mr. BISHOP.—to examine an application.

Mr. RIVERA. No, I understand.

So, 30 percent of our applications are what we call auto-approved, and a team lead just needs to—it is an inherently governmental position, that a team lead needs to approve that application. We can't let the system do it.

So, the other 70 percent, they just go through and they check the variables. They call the small business, and they fact-check some of these different variables.

Mr. BISHOP. Like what?

Mr. RIVERA. Location, address. Sometimes their bank account doesn't match their business name, so can you provide us evidence of something that shows those things connecting, from that perspective.

Mr. BISHOP. Okay.

So you said—and then help me with this part. So, if you said that—I think you just said a processor gets, like, 15 minutes to look at an application. And based on the things you just told me about, I am not sure it takes 15 minutes, but 15 minutes is 15 minutes. Help me understand, then, why 41 days sounded pretty good.

Mr. RIVERA. Well, I am just saying, 41 days, from my perspective, based on the traditional goal of 15, 30, 45, 60, I mean, we beat

the 60-day goal. My intent was not to say we are satisfied with 41 days.

Mr. BISHOP. Yeah.

Mr. RIVERA. Obviously, we want to provide the fastest assistance available based on the plan, the historical disaster plan.

Mr. BISHOP. Yeah.

Mr. RIVERA. That is what it is based on. And, you know, there is a reasonableness from a time perspective. If we could have done it in 15 days or 30 days, I mean, we would have done that.

But the point today is, I mean, we are doing these in 5 days right now——

Mr. BISHOP. Yeah.

Mr. RIVERA.—for the current queue. Going back, we have learned a lot.

Mr. BISHOP. Right. And I hear you. And I think that is maybe the nature of the rub, if you are talking about expectations or people being dissatisfied. The customer is always right when—rule number two is, you know, refer to rule number one, the customer is always right.

But I think it is hard—and even when I interact with you as a layperson about that origination process, I go, "Hmm." That seems like that could get done—particularly if you are excused from a lot of the requirements by the legislation, you know. Maybe, if Congress had looked at it again, they might have said "without regard to credit-worthiness," I don't know, and excused you from having to look at the credit score. But that doesn't seem like that takes very long. I think those are the things that people find difficult or frustrating.

And the other thing, just to balance that—again, I think balance is appropriate. And maybe to balance Congresswoman Craig's comment about interacting with your congressional liaison, we had the opposite experience in my office. That is, we had a situation where someone's PPP loan, to make a different reference, had gone awry, not because of anything SBA did, but because the financial institution submitting it—there was a snag. And they were able very quickly to tell us that there was no loan. They followed up and said, "You have to give us an EIN number." And then they researched it and came back, and we were able to pinpoint the problem and get it solved for that constituent.

So I am sure there are differing stories, but that ought to always be the objective, obviously, is to respond in a substantive way and quickly to Members of Congress, and with more than just a put-off or a repetition of a previous statement. But appreciate, in that case, it worked for us.

Mr. RIVERA. I understand.

Mr. BISHOP. And any comment you have on that I would welcome in the 30 seconds I have left.

Mr. RIVERA. And if you have any suggestions, we always look forward to any suggestion that we can work with you on ways to process or streamline this process. I am open.

Mr. BISHOP. My experience was positive. Thank you, sir.

Mr. RIVERA. Thank you.

Chairwoman VELAZQUEZ. The gentleman yields back.

The gentleman from Illinois, Mr. Schneider, is recognized.

Mr. SCHNEIDER. Thank you, Madam Chairwoman, and thank you for indulging us and offering a chance.

Mr. Rivera, you mentioned some numbers for the EIDL Program. I just want to clarify them. Of the $300-plus billion that was—you know, how much has been lent out so far?

Mr. RIVERA. As of this morning, we have loaned $132 billion.

Mr. SCHNEIDER. So more than $200 billion still left to lend?

Mr. RIVERA. Yes, sir.

Mr. SCHNEIDER. So, I guess, I have to go back to this arbitrary cap of $150,000. I know so many businesses who needed more, applied for more, and were told, you can't get more. What are they supposed to do?

Mr. RIVERA. Well, so I think, in some situations, what we learned is—when you apply for a loan, we don't ask them what the loan amount is. We base it on 6 months of working capital. So, there was a little bit of a misunderstanding on the communication piece.

We go back to what you have generated over the last 12 months, based on your sales, costs of goods sold, whatever your gross profit margin. We took 6 months, and that is what we loaned——

Mr. SCHNEIDER. You didn't cap it at $150,000?

Mr. RIVERA. No, what I am saying is that that is the loan amount that was determined.

We started at 500, but I think if we would have done 500, I don't know—the decision was—let me take you back. The decision was, we had $50 billion. You know, leveraged it seven times. We had 5 million applications. We could not have done a $500,000 loan at the time.

So, there was a lot of analysis, whether it was 2 months of working capital, 4 months of working capital, 6 months, and we did all the variables, and the decision was made by the agency to move forward with the $150,000.

Mr. SCHNEIDER. All right. So I don't do math that well—actually, I do. But if you have lent out $100 billion, there is $200 billion left. That is roughly a third of the program. If I take $150,000, if you had done $450,000, you would have consumed all the money. Certainly more than $150,000.

And I have talked to so many constituents, not an insignificant number, that have said, "We needed more money. We have competitors who got more money than we did because they were earlier in the queue. We are trying to compete."

And, you know, the $150,000, I just want to be clear, that was a cap. It was a cap the SBA set. So that leaves two-thirds of the money still left in the program.

Mr. RIVERA. So, I mean, I guess it is how you want to cut it. I mean, the average loan, $61,000—and, you know, we talked about 80 percent are below the $150,000. I mean, our average size loan for below $150,000—and I will fact-check myself—is, 40-something-thousand dollars.

We did have, as you are mentioning, 19 percent at the $150,000. So, admittedly, they would have had more eligibility than, you know, the $150,000. One percent are above that $150,000. But we have had more than 80 percent—average loan is $61,000.

Mr. SCHNEIDER. Yeah. But it is like saying we are getting our loans out in 41 days. Sure, 80 percent is a good number, but that leaves 20 percent of the businesses who are getting just enough to get close to what they need, but close doesn't count it to paying the bills that they are going to have.

Mr. RIVERA. But, remember, at the time, we also had PPP for payroll. So, I understand—you know, the EIDL Program has expanded—it is working capital; it is more than just payroll. So that was kind of the dovetail approach. I mean, we had two factors. We had, you know, the EIDL——

Mr. SCHNEIDER. All right. So I would like to explore this separately——

Mr. RIVERA. Okay.

Mr. SCHNEIDER.—because it is a big issue, but I have a minute and a half left, and I want to go on to another thing.

You know, you talked about, or you were asked earlier, how would you rate the program. And I don't want to rate—I know how hard it was, and, like I said, I know how hard everyone is working. And I don't mean to be critical of all the employees, who are literally working 24/7. And I know that and appreciate that.

You know, when I did my consulting, I worked with small businesses. I would close the door with the management team and say, "All right, let's start with a blank piece of paper. Forget what you have. If you could start over, what would you do?"

If you could start over—we are not in a private room, so this is public. But if you could start over, if you could design this system—because we know this pandemic is going to last into the future—what would you do to make sure that we do a better job supporting America's small businesses?

Mr. RIVERA. Well, I think we had the right approach with the surge contract. I mean, that is one thing that we did good. We probably should have had visibility in the application portal——

Mr. SCHNEIDER. Okay, not looking back, but let's look forward. What can we, as Congress, give you to ensure—I want the SBA to succeed, not just to clear the threshold but to blow it out of the water, to be so good that people are coming back and saying, "We thank God for the government because we were able to weather this storm, get through this pandemic, and look to a future to ensure that our kids and our grandkids are going to be prosperous."

Mr. RIVERA. I mean, I think we can always improve, but with turning a grant in 2 days and a loan in 5 days, I think that is pretty good service, since we had these 2 million come in, you know, since the portal—since the June 15 timeframe.

Mr. SCHNEIDER. Okay.

I am out of time, but I do want to say, Madam Chairwoman and Ranking Member, thank you for having this hearing. Whatever we can do to help the SBA succeed, count me in in doing it.

I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

And now I recognize the gentleman from Pennsylvania, Mr. Evans, for a question.

Mr. EVANS. Thank you, Madam Chairperson. Again, I thank you. This is very important.

I want to go back to something you said, where applicants who are denied the EIDL loans are given the opportunity for reconsideration. Can you describe this process, and how long does reconsideration take?

Mr. RIVERA. The reconsideration process is, when they submit information for us to determine their cash flow—I mean, I think it is 65, 70, 75 percent of the loans are based on a lower credit score, so we ask them for a copy of their tax transcript, or we get a copy of the tax transcript from the Internal Revenue Service. So that is the process.

There are eligibility cases where somebody opened a business post-COVID, you know, post- that January date.

We try to work through all these issues. We have about 100,000 applications, I think, that are in the queue right now on reconsideration, and we continue to work these as fast as possible. It is the manual process, or it is the DCMS 2.0 process.

Mr. EVANS. Okay. I understand. What I want to get to, that part, you said "manual." You know, how long does it take in reconsideration? Can you quantify that?

Mr. RIVERA. Yeah. It is usually—it is taking right now—I mean, I don't have the statistic in front of me, and I can get back to you for the record. I think it is taking 2 to 3 weeks, on average.

Mr. EVANS. Two to 3 weeks.

Mr. RIVERA. Yes, sir.

Mr. EVANS. So if an applicant is approved after reconsideration but if they are no funds left in the EIDL Program, will there be a remedy for the applicant?

Mr. RIVERA. Well, I mean, we have a couple hundred billion left. So, I mean, it may at some point, but right now it is not an issue.

Mr. EVANS. Okay. That is not an issue then. Right, right, right, right, right.

The SBA is still processing EIDL and physical disaster loan applications for non-COVID disasters, such as those related to civil unrest, tornadoes, and flooding. Processing these loans as they come in, is the processing time for these applications still within the normal timeframe?

Mr. RIVERA. Oh, yes, sir. I mean, we are processing these—I think the goal right now is, like, 10 days, on average.

We declared a couple of counties in Illinois and a couple of counties in southern California for civil unrest, but we have booked a billion dollars' worth of non-COVID disaster assistance this fiscal year.

Mr. EVANS. So you have booked a billion dollars for that?

Mr. RIVERA. I am sorry, we have approved a billion dollars' worth of disaster assistance across the board. These are all disasters. We had this earthquake down in Puerto Rico, we have had floods, we have had tornadoes. We have had most of those type of disasters.

You know, we generally do about $1.1 billion a year. That is what we put in the congressional justification. So we are right on track, that is just the path we generally take, the 10-year average.

Mr. EVANS. So the two places you have, you said, were California and Illinois?

Mr. RIVERA. Yes, sir. And we have a couple of——
Mr. EVANS. Yeah——
Mr. RIVERA. I am sorry.
Mr. EVANS. No, go ahead. You are saying California—there are counties within California and Illinois you have approved then?
Mr. RIVERA. Yes, sir, for civil unrest.
Mr. EVANS. Okay——
Mr. RIVERA. We have—I am sorry. I keep interrupting.
We have six other, I think, pending requests that the State is working on assistance from. I don't have that information here with me, but I can get back with you for the record.
Mr. EVANS. Yeah, I would interested, if you would relay that to the Chairwoman and pass that on to the Committee.
I appreciate, you know, all you are trying to do, and I know it is not easy. But I appreciate the Chairwoman for having this hearing, because, you know, transparency and openness, as she has talked about, is extremely important. Because you have people out there, you know, who hear about it, and through no fault of their own—maybe the pandemic or civil unrest, neither one is the fault of their own.
The execution, you can understand, is something that is very important. Am I correct?
Mr. RIVERA. Oh, yes, sir. We definitely understand that.
Mr. EVANS. Right.
I thank you, Madam Chair, for allowing me this time, and I really appreciate all you have done on this, okay?
Chairwoman VELAZQUEZ. The gentleman's time——
Mr. EVANS. Thank you. I yield back.
Chairwoman VELAZQUEZ. Thank you.
Mr. Rivera, thank you again for your testimony on the SBA's EIDL Program and its performance in response to COVID-19.
I understand the historic and unprecedented demand for the program and that it may have been challenging to process applications. However, it is July 1, and here we are.
You need to improve communications with borrowers. Customer service, across the board, has been an issue that time and again has been raised, whether in hearings or phone calls coming in from constituents.
Also, you need to improve SBA communications with the authorizing committee, both the Senate and the House. It is two bodies; it just can't be the Senate. You have to improve your communication with this Committee.
And as Congress continue to seek ways to help businesses that need relief in order to survive the pandemic, I would implore you that you send to us any request that you consider is essential in order to perform your responsibility of providing economic relief to the businesses that we are supposed to serve.
So I ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.
Without objection, so ordered.
And if there is no further business before the Committee, we are adjourned.
Thank you.
[Whereupon, at 11:58 a.m., the Committee was adjourned.]

APPENDIX

U.S. Small Business Administration

Statement of James Rivera
Associate Administrator
Office of Disaster Assistance
U.S. Small Business Administration

before the
House Committee on Small Business

Hearing on "The Economic Injury Disaster Loan Program:
Status Update from the Administration"

July 1, 2020

Statement of James Rivera
Associate Administrator
U.S. Small Business Administration

Good morning, Chairwoman Velázquez, Ranking Member Chabot, and members of the committee. Thank you for inviting me to discuss the Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) program and our response to the Coronavirus (COVID-19) pandemic.

My name is James Rivera, the Associate Administrator for the SBA's Office of Disaster Assistance (ODA). On behalf of Administrator Jovita Carranza and the entire Agency, I want to start by thanking you for your strong support of the Agency's disaster assistance mission and your continued leadership to ensure that as a country we are able to meet the challenges of multiple disaster events, including, for the first time in the history of SBA, a global pandemic affecting the United States.

I began my career with the Office of Disaster Assistance in 1989 as a disaster loan specialist in Ft. Worth, Texas after working in the private sector as a commercial loan officer. I served in several leadership positions throughout the Agency before entering my current role in 2009. As the Associate Administrator of ODA, it is my responsibility to oversee the SBA's Disaster Loan Program. In my thirty-one-year tenure, I have not previously seen such unprecedented economic disruption as is currently being faced by small business owners due to the COVID-19 outbreak.

Let me take an opportunity to outline the work SBA is doing and report on our progress regarding the Economic Injury Disaster Loan program during the COVID-19 pandemic. Traditionally, during a declared disaster, SBA offers EIDL assistance to small businesses, small agricultural cooperatives, and most private non-profit organizations that have suffered economic injury caused by a disaster. These loans provide working capital to a business or organization in areas of physical disaster impact until normal operations can resume.

Since SBA's inception in 1953, and leading up to COVID-19, SBA had approved over 2.2 million disaster loans for $66.7 billion to disaster survivors, of which 338,000 loans totaling $20.9 billion were for businesses. SBA's disaster loan mission is to help to rebuild homes and businesses, increase resilience, preserve jobs, and spur economic recovery. This financial assistance forms a critical part of the federal government's disaster response and recovery effort.

SBA has now approved and distributed more loans for COVID-19 than for all other disasters combined in the history of the Agency. To put this into perspective, during Hurricanes Katrina, Rita and Wilma, we approved 160,845 loans for $11 billion; for Superstorm Sandy we approved 38,094 loans for $2.6 billion; for Hurricanes Harvey, Irma and Maria, we approved 145,636 loans for $7.4 billion; and for Hurricanes Florence and Michael, we approved 25,991 loans for $1.16 billion.

As of June 26, we have approved over 2 million coronavirus EIDL loans for over $125 billion. In just three months, the Agency approved and disbursed nearly twice as many EIDL loans for COVID-19 as we have in the past 67 years for all disaster loans in all other

disasters combined.

In March, Administrator Carranza acted quickly in response to requests from Governors for federal disaster assistance through SBA. In reviewing and signing 56 requests for disaster declarations, the Administrator also made an important administrative change to enable economic injury disasters for COVID-19 to be declared on a state or territory-wide basis. Traditionally, small business impact for a disaster declaration is certified by SBA and state emergency management agencies at a county level. The broader designation eased the administrative requirements on states and territories and allowed all small businesses potential access to federal assistance.

Before the CARES Act was enacted, the Agency began receiving and processing disaster loans in response to the COVID-19 pandemic under the disaster declarations signed by the Administrator. As the CARES Act contained major structural changes to the EIDL program, we modified the program to the new criteria and then continued to process loans until reaching the limit of our previous funding amount. We were appreciative of Congress approving additional subsidy in the Paycheck Protection Program and Healthcare Enhancement Act, which also included further eligibility changes to the program for agricultural enterprises. We again had to modify the program to the new criteria. After experiencing these suspensions in our loan processing due to statutory changes and lack of funding, we have been able to continuously process loan applications.

One of the major program changes mentioned above is Section 1110 of the CARES Act, which created a new EIDL advance emergency grant for 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 has never before administered disaster grants and we requested additional time for disbursement of the advances, longer than the three days referenced in the bill. As you know, we worked very hard to stand-up that system and were pleased to be able to process grant payments beginning seven business days after enactment of the CARES Act.

To reach as many applicants as possible, and after consulting congressional authors of these provisions, the advances were structured on a $1,000 per-employee basis, up to $10,000 total. This allowed us to maximize resources and reach significantly more small businesses. At this time, the Agency has processed and disbursed monies to all eligible businesses requesting an emergency advance. As of June 25, the Agency has distributed nearly 4.2 million advances to small businesses for close to $14 billion.

To meet the incredible demand for EIDL loans and advances, the Agency has worked tirelessly to bring on additional staff. Through interagency agreements, we were able to access staff resources from several other federal partners that are active in disaster assistance. Unlike physical disasters where the Agency would typically deploy staff to the disaster region, we adjusted to this unique and challenging pandemic situation by supplementing our support staff in our call centers and our loan processing centers. At this time, the Office of Disaster Assistance staff totals over 7,000 personnel, an all-time high for the Agency's disaster response efforts.

While continuing to respond to COVID-19, the SBA also continues to assist communities recovering from more localized disasters that I know are familiar to many of you. The Agency is currently servicing over 175 declarations, and this fiscal year, we have approved more than $1.1 billion in non-COVID related disasters. This includes tornadoes in Texas and Tennessee, flooding in New York, California, Kentucky and Ohio, and droughts in Florida, Kansas, and Colorado. SBA is continuing to respond to disasters across the country, and we are also prepared for an expected active 2020 Atlantic Hurricane Season.

I want to express my appreciation for ODA's remarkable and hardworking staff who are endlessly committed to supporting business owners throughout these difficult times. I want to close by also expressing my gratitude to members of this committee, for your support of the Agency throughout our implementation and restructuring of the EIDL program, and for your commitment to America's small businesses.

These are challenging times for our nation's small businesses, and their resiliency through this pandemic will be the driving force for our nation's economic recovery. The programs recently enacted through the CARES Act and related legislation play a key role in that recovery. They are essential economic relief programs, and we 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.

Questions for the Record
July 1, 2020
"The Economic Injury Disaster Loan Program: Status Update from the SBA"

From Mr. Evans to Mr. Rivera

- **Reconsideration:**
  - How long does the reconsideration process take? (he thought 2-3 weeks but wasn't sure)

    SBA Answer:
    The reconsideration process can take between 2-3 weeks; however, the applicant must provide additional information to support re-evaluating the original reason for the decline decision. All applicants who are declined for a loan receive a letter explaining the basis for the agency's decision with instructions on how to submit a request for a reconsideration. Letters also include information about additional local SBA resources, including district offices and resource partners, that may help the business to address the reason for decline.

  - How many applications are in the queue for reconsideration?

    SBA Answer:
    As of the date of the hearing, approximately 84,000 loan applicants have requested and are in the process of reconsideration.

  - Does the reconsideration process begin immediately after ODA receives the request?

    SBA Answer:
    Yes, the process begins when a loan applicant makes a request for reconsideration and submits the necessary information or materials to facilitate review.

  - What percentage of applications are denied due to low credit score? (he thought somewhere between 65-75% were either in reconsideration or denied because of low credit score)

    SBA Answer:
    Low credit score is the most common reason for an initial decline. Approximately 86 percent of initial decline decisions were due to low credit score.

  - What percentage of denied applicants have requested reconsideration so far?

    SBA Answer:
    As of the date of the hearing, approximately 4% of denied loan applicants have requested reconsideration.

  - What is your current approval rate for applications under reconsideration?

    SBA Answer:
    The approval rate for reconsiderations is approximately 40 percent.

- **Advances:**
  - What percentage of applicants requested advance grants? Of those, what percentage received advance grants?

  SBA Answer:
  At the time of the hearing, 93% of all loan applicants had requested an advance, and 60% of those received an advance.

- **Approval rate:**
  - What is the approval/denial rate? (he first said approval rate was 51%, then later said denial rate was 48%)

  SBA Answer:
  As of the date of the hearing, the loan approval rate was just over 51%.

- **Staffing:**
  - What percentage of ODA staff are dedicated solely to COVID-19 EIDL applications? (he said about 7,000 total personnel, but also said there was dedicated staff just for "normal" disaster loan processing)

  SBA Answer:
  As of the date of the hearing, the agency had 7,174 staff dedicated to COVID-19 EIDL response. The agency maintains a core staff of 1,000 employees that handles disaster response to all Major and Agency disaster declarations and can shift between COVID-19 and natural disaster loan activity, as necessary.