

United States Senate

March 4, 2021

The Honorable Terri Perriello
Acting Administrator
Small Business Administration
403 3rd Street, S.W.
Washington, D.C. 20416

Dear Acting Administrator Perriello,

As you know, small businesses are the lifeblood of the American economy. According to the SBA, small firms are responsible for nearly half of all private sector employment. Colorado is home to 630,000 small businesses that employ 1.1 million people, and the stakes could not be higher for these businesses and their employees as we enter year two of the COVID-19 pandemic. In fact, more than 400,000 small businesses have already closed their doors for good around the country. Surveys show that one in three small business owners will not survive the next few months without additional financial support. All efforts must be made so that small businesses can keep workers on payroll, meet their expenses, and survive the coming months as the vaccine reaches more people and we begin to safely reopen the economy.

One way to do that is to make significant changes to the Economic Injury Disaster Loan Program (EIDL) to better meet the needs of the small business community. EIDL is a long-standing program through which small businesses affected by disasters can receive low-interest loans directly from the government. SBA's EIDL program offers up to \$2 million in assistance per small business, often with very favorable loan rates and terms. It can provide vital economic support to small businesses to help overcome the temporary loss of revenue as a result of a disaster. These loans may be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact. Because the pandemic impacted the entire country and all small businesses, SBA has been providing disaster loans since March of 2020.

However, the Trump Administration's implementation of EIDL during the pandemic greatly diminished its effectiveness and reach. In particular, the former Administration limited the amount of an EIDL loan to \$150,000, disregarding current law and Congress' clear intent to allow small businesses to borrow up to \$2 million. SBA should consider lifting the \$150,000 cap since we know so many small businesses are still experiencing financial hardship. Many of the small businesses that applied received the \$150,000 maximum amount -- but could have been eligible for much more had the program worked in its traditional manner.

Additionally, small businesses currently only receive two to six months of working capital. Nearly a year into the pandemic, Federal Reserve Chairman Powell recently told Congress that the outlook for the economy remains "highly uncertain." Given this and the expectation that full economic recovery will not be underway until later this year, allowing 12-18 months of working

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capital can provide vital economic support to small businesses. And finally, while SBA did allow one year of deferment of payment on EIDL loans, many of the businesses that took out loans last March are in no better shape today. Extending the payment deferment for new and existing loans will act as a bridge so those small businesses can make payroll, pay rent, and stay afloat until the economy is fully recovered.

As you know, EIDL loans are received, processed and disbursed directly by the SBA rather than private lenders, making them a preferred option for those who are underbanked or unbanked. Strengthening this program will assist sole proprietors and minority and women-owned businesses that were ignored by large financial institutions in other relief efforts. And we know, the current Paycheck Protection Program design does not address the needs of the hardest hit parts of the economy that rely on foot traffic for revenue and have been shuttered for almost a year without enough payroll to qualify for meaningful relief. These small businesses are often the lifeblood of our communities, and it is critical that we provide them the support they need to survive.

The Federal Government must be nimble and act with urgency to streamline and accelerate the delivery of resources to the small businesses who need them most. As the only direct lending program offered by the SBA, I urge you to reverse changes implemented by the Trump Administration with respect to EIDL. Doing so will allow the EIDL program to operate as intended and provide much needed cash flow to our nation's small businesses without access to affordable credit elsewhere. I look forward to hearing from you.

Sincerely,

A handwritten signature in blue ink that reads "John Hickenlooper". The signature is written in a cursive style with a large, stylized "J" and "H".

U.S. Senator John Hickenlooper

cc: James Rivera