



**The House Subcommittee on Economic Growth, Tax and Capital Access
A Review of PPP Forgiveness
September 25, 2020**

**Written Testimony of James Parker
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Chairman Kim, Ranking Member Hern, and members of the committee:

Thank you for the opportunity to speak to you about experiences with the Paycheck Protection Program and the program's loan forgiveness process. My name is Jim Parker, I own Riverview Studios, a video production company in Bordentown, New Jersey. I'm a member of the Executive Committee of the Main Street Alliance of New Jersey, a network of small businesses in the Garden State and chapter of the national Main Street Alliance.

In mid-April of this year I applied for federal relief funds available through the Paycheck Protection Program through Berkshire Bank, a regional bank I've used for my business accounts for over a decade. A month after I submitted my application, I received \$11,200 through the program, calculated as 2.5 times monthly payroll from the year 2019. Since then, those funds have been spent entirely on payroll expenses. In practice, because of rising payroll costs at my business beginning in 2020, those funds covered about a month's worth of payroll expenses.

Having used the PPP funds by early summer, I'm now waiting to begin the process of closing out the loan—in my case I am hopeful that 100% of the funds will be forgiven under the rules of the program.

I say hopeful because I can't say for sure that will be the case. As I and my operations manager have begun to investigate the loan forgiveness process, we've found that much could be done to clarify the terms of forgiveness and the process to obtain it.

For example, although I've received communication from my bank regarding forgiveness, it is still unclear what the timeline is for beginning the process or for completing it. We are working under the assumption that it may be related to the 24 weeks given for use of the funds, but we have not received confirmation that this is the case.

In addition to the timeline issue, it is also not completely clear to us the steps we'll need to take to begin the process, nor is it entirely clear what criteria we will be judged on to receive

forgiveness. We've received some paperwork related to the forgiveness process but it's unclear if we have received all the necessary documents.

Moreover, the documents we have received request information that has left us concerned about the likelihood that the entirety of the loan will be forgiven. For example, it looks like we will be requested to provide information about mortgage expenses during this time, and expenses related to other fixed costs like utilities.

It is our understanding that because we've spent the entirety of the funds on payroll that the entire sum will be forgiven. But we also know that other rules were put in place about spending on fixed costs. We're concerned that perhaps our spending in these areas may be interpreted in a way that would reduce what portion of the loan is forgiven. We're also concerned about the lack of clarity regarding any appeals process. What if we are requested to repay a portion of the loan but believe that decision has been made in error?

Our misgivings and apprehension about the process are shared by small business owners in our network in New Jersey and nationwide.

Some who have begun the process have faced obstacles they couldn't overcome to complete the process. For example, another Main Street Alliance NJ member reports that his bank appears to have contracted out the forgiveness processing to a third party, but the website this third party is using to process applications required multiple attempts to register and once in, led to multiple choices that went nowhere when clicked. As of last week, the site was unable to accept applications and no further word has been given about when it might be ready.

Another New Jersey member has been told by her accountant that the \$1,000 EIDL grant she received will be deducted from the forgivable portion of her PPP loan, meaning she'll have to repay \$1,000 she understood would be forgiven.

Others have been told they face disqualification for forgiveness outside of what's known about forgiveness terms. For example, a Main Street Alliance member in Washington state reports that the forgiveness of her loans utilizing the "alternative dates option" are being questioned because her payroll falls on the 5th and 20th of the month rather than every two weeks.

Still others are left waiting to hear when the process might begin, with no start date in sight. Main Street Alliance members in Oregon and Minnesota have received notice from their banks that the forgiveness process will be held indefinitely because proposed legislation will change the rules governing forgiveness.

Several Main Street Alliance members, especially those in the restaurant industry have expressed concern that they will miss out on forgiveness because they have not been able to rehire staff at the necessary level to qualify because business has not picked up sufficiently to necessitate their pre-pandemic workforce.

My experience and those of Main Street Alliance members from across the country illustrate a process that thus far has been opaque, arbitrary and uneven, with private lenders choosing how and when they will implement the forgiveness portion of the program.

We've seen the results of the haphazard implementation of the loan approval process. It was an unequal process from the start, one that excluded vast portions of the small business sector, often the most vulnerable businesses, and has worsened economic inequality, especially for businesses owned by people of color.

Inequity was built into the PPP program with 95 percent of Black-owned businesses and 91 percent of Latinx-owned businesses [effectively shut out](#) of the program due to their size and lack of relationship with SBA 7(a) lenders.¹ Systemic racism was documented in the application process in a matched pair study of black applicants offered less encouragement, options and information than white applicants seeking PPP loans from banks.² Through individual stories and emerging reports, we see that Black and Latino business owners received less support throughout the PPP process.

I count myself as one of the privileged businesses who received federal funds, and I'm grateful. I'm also relatively confident that the same privileges that helped me access these funds will help me in the process to get them forgiven. I'm fortunate enough to have the revenue at my business to have an operations manager on staff to handle the process. And I have a long-established relationship with my banker that I can turn to in the event something goes wrong.

Not every small business owner finds themselves in this position. Many are going into this process themselves without the help of an expert staff member. I know if it were left for me to sort this process out, I'd be in far worse shape. And without the strong relationship with my bank, I'd be much more concerned about the handling of my application.

Which is why it's important that we not repeat the mistakes of the loan disbursement process in the loan forgiveness process.

For these reasons, MSA supports legislation that would provide automatic forgiveness for Paycheck Protection Program (PPP) loans under \$150,000. Given the confusion surrounding the process and shifting guidelines, this would alleviate stress that many small and micro-business owners—particularly those with less access to support from their banks and accountants—are experiencing when faced with confusing and strict loan forgiveness guidelines.

While close to 90% of PPP loans made are below \$150,000, these account for only 28% of PPP funds delivered.³ Forgiving those loans would help address racial disparities in the forgiveness

¹ The Paycheck Protection Program Continues to be Disadvantageous to Smaller Businesses, Especially Businesses Owned by People of Color and the Self-Employed, Center for Responsible Lending April 6, 2020 (Updated May 27, 2020) Accessed 9.23.2020

² [Lending Discrimination in the PPP Program](#)

³ [Paycheck Protection Report though August 8, 2020](#)

process, and reduce the paperwork for all struggling small businesses while they don't incur more debt during this economic crisis.

As most businesses have now exhausted their PPP and we have a long road ahead to recovery—with a likely fall resurgence of COVID and signs of a slackening economy—the objective of keeping people employed and the small businesses that employ them in business has to remain the focus and the outcome of our policy. A real plan to save our small business economy starts with grants—not loans—so we can cover payroll and keep people employed and will last the length of the pandemic. While another round of PPP will be necessary, only funding eight weeks of recovery will put us right back where we are in October. We need a plan that acknowledges that the pandemic will be with us into the beginning of next year and its effects will linger for much longer.

Thank you for your time and interest in Main Street small businesses.