

**Congressional testimony prepared for SBA Administrator Isabel Guzman
U.S. House of Representatives Committee on Appropriations Subcommittee
on Financial Services and General Government
Friday, May 28, 2021**

Good morning, Chairman Quigley, Ranking Member Womack, and members of the committee. Thank you for the invitation to be here and for the opportunity to discuss SBA's programs and response to the COVID pandemic.

When I appeared in the Senate as a nominee not so long ago, I mentioned how this unprecedented crisis for our nation's 30 million small businesses and innovative startups had created a sense of urgency to work harder, think more creatively and build more collaboration to meet the desperate need presented by this moment.

In my first 100 days as SBA Administrator, I can tell you that feeling – the constant drive to do one more thing to step up for our entrepreneurs – has only intensified. I'm extremely lucky to be supported by an amazing SBA team that is also mission-driven – and is working around the clock to deliver the relief our small businesses need to get through this disaster.

We're making significant progress – particularly in our efforts to reach small businesses owned by women and people of color, who, because of long-standing barriers to capital, markets and networks have suffered disproportionately from this pandemic.

We're seeing the impact. The latest economic reports show that small business jobs have begun to rebound, and proprietors' income levels have begun to recover. And, we're hearing from the small businesses we serve that our traditional services as well as our policy changes and newest recovery programs, funded because of the American Rescue Plan, are offering vital lifelines to help them recover and build back stronger.

We recently launched the \$28.6 billion Restaurant Revitalization Fund (RRF). In the month before the program went live, we conducted more than 1,100 stakeholder events – with close to 100 of those events held in multiple languages -- to ensure the process would be streamlined and accessible for our hardest-hit food and beverage businesses. I'm proud to say we were able to turn around and roll out this program successfully in less than two months.

This rollout included a brand-new public private partnership with point-of-sale vendors, allowing us to meet our food and beverage entrepreneurs where they're

already doing business. Applicants have been able to log into Square, Toast, and other platforms and get direct access to the SBA's application portal.

We heard from business owners like Michael Shemtov in Charleston, South Carolina, who owns the Butcher & Bee, that the entire application process took less than 20 minutes.

As of May 24, the RRF program has received more than 362,000 applications – with a total of \$75 billion in funding requested. More than 208,000 of those applications came from small businesses owned by women, veterans, and socially and economically-disadvantaged individuals, who, as directed by Congress, were given priority access to the program.

We've also successfully reached the smallest of our small businesses through this program. So far, we've received more than 139,000 applications for the three set-asides we created for the smallest applicants, which will be funded through \$9.5 billion in total set-asides.

Another program that was recently launched is the Shuttered Venue Operators Grant program, which provides \$16.2 billion to eligible performing arts organization operators, museums, talent representatives and more. As of May 24, the SVOG program has received 12,841 applications for \$11 billion in requested funds.

We hope these funds will help our nation's venues hold on until they can bring back the performances and experiences that are the lifeblood of our American culture.

With the Paycheck Protection Program (PPP), we've been focused on getting funds into the hands of those who need our help the most – as of May 23, we've approved more than 6 million loans totaling \$273.7 billion in 2021 alone, and 95% of those loans have gone to Main Street businesses with fewer than 20 employees.

We wouldn't have been able to deliver this relief without the partnership of more than 5,000 PPP lenders. We are extremely grateful for their hard work and dedication. With the involvement of banks, community banks, credit unions, Community Development Financial Institutions, Minority Depository Institutions, farm credit lenders, financial technology firms and other SBA lenders, we've been able to reach 8.5 million small business owners across America and support millions of jobs. We hope to continue to foster these relationships and expand access to capital even after the PPP.

While we've been working diligently to approve new PPP loans, the SBA has also been processing lender forgiveness decisions. To date, we've processed more than 3.3 million lender forgiveness decisions or more than 60% of 2020 loans, totaling \$279.4 billion -- greater than 99% received full forgiveness.

We continue to deliver funding through our Economic Injury Disaster Loan program, or EIDL, which has \$263 billion in loan program authority remaining. In addition, we're delivering Targeted Advance and Supplemental Targeted Advance grants to our smallest businesses in low-income communities, which received \$15 billion in funding from the American Rescue Plan.

Since the enactment of the Paycheck Protection and Healthcare Enhancement Act, we've approved 3.8 million EIDL loans for a total of \$208 billion in funding. Over the past year, we've approved and disbursed three times as many EIDL loans as we have in all the disasters combined over the past 68 years.

In one of my first actions as SBA Administrator, I raised the cap on EIDL loans to 24 months of working capital up to a maximum amount of \$500,000. Since the change in policy, we have disbursed more than \$1 billion in EIDL loans. We're also exploring increasing EIDL eligibility up to the full statutory loan limit of \$2 million.

The SBA also has been carrying out the Debt Relief program – reducing or eliminating principal and interest payments for our 7(a), 504 and microloans – to help provide critical economic stability and financial peace of mind for hundreds of thousands of small businesses, while protecting lender and SBA's loan portfolios, and stimulating new lending of long-term capital for small businesses.

Temporary fee waivers for borrowers and lenders in our core loan guaranty programs, along with a 7(a) higher guaranty, and 504 refinancing enhancements, have boosted lending. Commitments in both programs have nearly doubled loan volume overall since February.

While implementation of these relief programs is important, we also know that we need to develop systemic approaches to improving outreach to ensure all of America's entrepreneurs can connect to our resources and services. Just this week, we posted the Notice of Funding Opportunity for our Community Navigators pilot program. This is a program that I'm particularly excited about because it will help us build bridges to our small businesses owned by women, veterans, and socially and economically-disadvantaged individuals.

Our community navigators will act as on-the-ground ambassadors so that we can meet small businesses where they are, instead of waiting for them to come to us. The program will deliver \$100 million in grants to hub organizations – private nonprofit organizations, SBA resource partners, states, Tribes and local governments – which will be positioned at the center of a network of “spoke” organizations, or trusted community champions that connect with small businesses that need SBA services right now. The idea is that we’ll leverage the business and operational expertise of the central hub organizations, and the community credibility, connectivity and trust of spoke organizations.

In a similar vein, we continue to focus on improvements and better distribution of our resource partner networks. For example, we’ve greatly increased our outreach via our Women’s Business Centers – onboarding 20 new centers in March 2021, including five centers located at Historically Black Colleges and Universities – to establish the largest women’s business center network in our agency’s history. And, 60% of these new centers are focused on supporting rural communities.

These Women’s Business Centers will not only help us reach the fastest growing entrepreneurial segments in the nation, but they will also continue to expand our efforts to break down the historic barriers that stand between too many of our underserved entrepreneurs and their dreams.

We’re also working with all our resource partners, including our Small Business Development Centers, SCORE and Veterans Business Opportunity Centers to increase communication and information-sharing on our relief programs so they are better positioned to support small businesses on the SBA’s behalf.

While our focus with all our relief programs has been to get funds into the hands of small businesses swiftly, efficiently and equitably -- we’ve also maintained a high level of oversight to minimize fraud and abuse. We’re currently conducting a fraud risk assessment of our PPP, EIDL and EIDL Advance programs to proactively manage fraud and the risk of fraud.

And, as part of my commitment to elevate transparency and communication, we’ve instituted biweekly meetings with SBA’s Office of the Inspector General and have also been meeting more frequently with the GAO. I was pleased to hear both GAO’s Bill Shear and SBA’s Inspector General Mike Ware say in a recent House committee hearing that transparency at the SBA has improved under my watch, and that our relationship is off to a very good start.

While much of our energy is focused on delivering this crucial financial relief, we're also looking to the future to ensure that when small businesses can recover and reopen, there will be new growth opportunities out there for them – particularly in the federal marketplace.

We're working hard to deliver on President Biden's pledge to increase the small, disadvantaged business contracting goal from 5% to 15% by 2025. And, we're seeing a big increase in the number of applicants to our 8(a) program and our Women Owned Small Business certification program, which is averaging 1,000 applications per month.

President Biden's American Jobs Plan also gives small businesses more opportunities to sell their products and services to Uncle Sam – the world's largest customer – and participate in billions of additional investments in federal research and development.

Ideas know no geographic or demographic boundaries. SBA powers America's Seed Fund, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs to help our small businesses grow and scale the next big idea – and we want to ensure that women-owned, minority-owned, and rural small businesses receive the support they need to take advantage of these opportunities. The American Jobs Plan would give the SBA the ability to create a national network of small business incubators, innovation hubs and technical assistance partners that would help us do that.

In addition, it would increase access to capital for small businesses by injecting \$20 billion in funding into SBA's 7(a) loan program and the Small Business Investment Company program, both of which I am committed to leveraging for increased equity and to support the American Jobs Plan's strategic investments in manufacturing, infrastructure, and clean energy.

We're also looking at other tools at our disposal to ensure all our small businesses can fund their companies -- including underserved businesses who too often have had trouble accessing capital via traditional financial markets. We need transformational change to drive economic growth – and that means we will be innovative and engage with our customers, stakeholders and private partners to come up with workable solutions -- including direct lending by the SBA to the smallest businesses.

Throughout this pandemic, I have been inspired by the ingenuity and creativity of our nation's small businesses as they've pivoted and adapted to new marketplaces. Businesses have adopted technology at high rates, leveraging e-commerce and social media strategies to serve customers in new ways. The SBA is committed to expanding those opportunities to ensure that our small businesses can compete globally.

The best thing we can do for our small businesses is to help our nation, to use President Biden's words, "declare our independence from COVID." With 250 million shots in arms delivered since President Biden took office and 61% of adult Americans who have taken at least one shot of the COVID vaccine, we're making progress. The SBA is doing our part to support that effort by getting the word out to small businesses about the tax credit they can receive for any paid leave they provide to their workers receiving, as well as recovering from, a vaccination.

There is so much more work to do. As the voice for America's small businesses and innovative startups, I will be leveraging every tool at my disposal to bring businesses back, create jobs and build an equitable economy that works for everyone.

Under my leadership at the SBA, we're focused on putting our customers first – America's small businesses. We want them to feel like the giants they are in our economy. Because the truth is, they are our economy's greatest driving force. And if we're going to help them build back better – we must meet them where they are and deliver the resources and services that will enable them to do what they do best – create jobs. At the same time, we must eliminate the historic barriers that have left too many entrepreneurs behind and caused inefficiencies in our economy.

I look forward to partnering with you to give all entrepreneurs the tools they need to start, sustain and grow into the future.

Thank you, Chairman Quigley, Ranking Member Womack, and members of the committee for the opportunity to appear before you today.