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From the Atlanta Business Chronicle:

<https://www.bizjournals.com/atlanta/news/2022/03/29/ppp-sba-senate-congress-loans-eidl-rrf.html>

PPP architect calls for more SBA lending for small businesses

Mar 29, 2022, 11:46am EDT

One of the architects of the Paycheck Protection Program is calling for a new direct-loan program akin to the Small Business Administration's Economic Injury Disaster Loan program.

Sen. Ben Cardin, D-Md., chairman of the Senate Small Business and Entrepreneurship Committee, said in a speech on the Senate floor March 25 that Congress should take the lessons it learned from the PPP and EIDL programs and create a new direct-lending program at the SBA.

"Now is not the time to retreat. It is time for us to double down. In implementing lessons learned over the lifetime of PPP, we should create a new direct-loan program within SBA and further empower small businesses," Cardin said. "We must build on the inroads that the SBA has made with underserved communities during the pandemic to get entrepreneurial development, business



HARRY BOSK

U.S. Sen. Benjamin Cardin, D-Md., called for the SBA to have a post-pandemic, direct lending program to assist small business owners.

mentorship and technical training into communities that would benefit from it the most. And we should continue to work in a bipartisan way to ensure that American small businesses have the tools they need to emerge from the COVID-19 stronger than ever.”

Cardin’s speech comes two years after Congress passed the original \$2.2 trillion Coronavirus Aid, Relief, and Economic Security Act, otherwise known as the CARES Act, which created the PPP, EIDL and a raft of other programs in response to the economic turmoil caused by the Covid-19 pandemic.

The SBA ultimately issued about 11.42 million loans for roughly \$790 billion across both 2020 and 2021. The program rapidly ran out of its first batch of funding, with reports showing that businesses with existing ties to banks got priority over others. Later reports showed that actions by the Biden administration, including creating set-asides for community financial institutions and the smallest businesses, led to more equity throughout the program.

Subsequent legislation created the \$16 billion Shuttered Venue Operators Grant Program and the \$28.6 billion Restaurant Revitalization Fund, which was rapidly depleted. The SBA said at the time that more than 278,000 applications were submitted to the program, but the agency was only able to fund approximately 101,000 of them.

Cardin called to replenish the RRF in the speech, stating there were still hundreds of thousands of applicants waiting on funds.

“We have to finish the job for our restaurants, because if there are any lessons learned from the past two years, it is that when Congress comes together to produce thoughtful policies that address the system issues in our economy, it yields results,” Cardin said.

However, Congress has failed to pass any additional funds for the RRF or for any of the other proffered small-business rescue programs for industries such as hotels, gyms or live events, despite letters from lawmakers and efforts from lobbyists. Congress recently pass full-year funding legislation or the government, long seen as a chance to include more relief, but without any additional funds.

“The bottom line is our policies made a difference. We saved America’s small businesses. We need to continue to work in the future to make sure the climate for small businesses is healthy so that our economy can continue to grow,” Cardin said in the speech. “Our policies during this pandemic helped save small businesses and now expand the opportunity for small businesses, but we need to continue to pay attention to these issues.”

Chris Hurn, CEO and founder of national non-bank lender Fountainhead, said the EIDL was originally to help businesses recover from natural disasters, and there isn’t a huge need now for an expanded and permanent version of the program.

“I don’t think there is widespread appetite on Capitol Hill to do a lot more of this,” Hurn said. “In time you are going to see people put a pause on this and say that this is a program meant for natural disasters and things of that nature.”

Some Republicans have come out strongly against the SBA having increased direct-lending authority. Senate Small Business Committee ranking member Rep. Blaine Luetkemeyer, R-Mo., co-authored a letter to the SBA urging the agency to focus on its traditional partnerships with lenders. He also wrote an Oct. 1, 2021, letter urging Congress to not expand SBA's direct-lending efforts.

Congress had attempted to expand SBA’s direct lending authority before. The Build Back Better legislation that passed the House in 2021 but stalled out in the Senate after Sen. Joe Manchin, D-W.V., said he would not vote for it, would have set aside nearly \$2 billion for various direct lending efforts at the SBA.

Meanwhile, the SBA continues to deal with the aftermath of the historic rescue programs, including setting up a new Fraud Risk Management Board to manage risk in agency programs, including the PPP and EIDL programs.

In a congressional hearing in January, the SBA inspector general stressed the agency’s Covid-19 relief programs had high susceptibility to fraud after the agency relaxed some requirements for those programs in 2020.

Meanwhile, experts say the PPP forgiveness process will continue into early 2023 — and the appeals could ensure that the SBA is still

deciding on individual PPP cases for years to come.

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