

Congress of the United States  
U.S. House of Representatives  
Committee on Small Business  
2361 Rayburn House Office Building  
Washington, DC 20515-0515

June 5, 2023

The Honorable Isabella Casillas Guzman  
Administrator  
U.S. Small Business Administration  
409 3rd Street SW  
Washington, D.C. 20416

Dear Administrator Guzman:

On April 19, 2023, the Small Business Committee, Subcommittee on Oversight, Investigations, and Regulations held a hearing with the Small Business Administration's (SBA) Inspector General (IG) Hannibal "Mike" Ware. During this hearing, the Committee and the IG expressed concern over the current state of the SBA's COVID Emergency Injury Disaster Loan (COVID EIDL) and Paycheck Protection Program (PPP) portfolios, specifically relating to the high level of fraud and delinquencies and the SBA's decision not to collect on loans under \$100,000 in either program. We write to request clarification and justification on a number of decisions and assertions made by your office relating to the pandemic programs.

According to Deputy Inspector General Sheldon Shoemaker, the current value of COVID EIDL "risk" is \$76.9 billion, with more than \$60 billion past due and close to \$30 billion that has already defaulted.<sup>1</sup> Unlike the loans in the PPP, COVID EIDL loans were never meant to be forgiven. When combined with the \$1.1 billion of PPP loans being abandoned, this represents a trend of the SBA's belligerent, reckless waste of taxpayer money.<sup>2</sup>

The SBA has claimed on several occasions that failure to collect more than \$65,000 in the SBA Express loan program is sufficient comparison and justification for not pursuing collection on outstanding pandemic loans under \$100,000—first, in response to a letter this Committee sent expressing its concern about the SBA's decision not to collect on the \$1.1 billion in PPP loans.<sup>3</sup> The same argument was then made before the Senate Committee for Small Business & Entrepreneurship regarding SBA's decision not to collect on COVID EIDL under

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<sup>1</sup> *Oversight of SBA's Implementation of Final Rules to Expand Access to Capital: Hearing before Senate Comm. on Small Business & Entrepreneurship*, 118<sup>th</sup> Cong., statement of Mr. Sheldon Shoemaker, Deputy Inspector General, Office of the Inspector General, Small Bus. Admin. (Apr. 26, 2023).

<sup>2</sup> Letter from Adrienne Grierson for Jihoon Kim, Director, Office of Financial Program Operations, Small Bus. Admin., to Roger Williams, Chairman, H. Comm. on Small Bus. (Mar. 27, 2023).

<sup>3</sup> *Id.*

\$100,000.<sup>4</sup> The value of the applicable SBA Express loans referred for collection was \$23.5 million.<sup>5</sup> That is just 2.1 percent of the PPP loans being abandoned and a mere fraction of the COVID EIDL portfolio. Given the stark difference in value at hand and the variations in program metrics, this Committee shares the IG’s belief that using the SBA Express loan program as a comparative basis in justification for not collecting on PPP or COVID EIDL is improper.

During an April 26, 2023 hearing before the Senate, then Associate Administrator of the SBA’s Office of Capital Access Patrick Kelley, expressed his unwillingness to “spend \$3 million of taxpayer dollars” to attempt to recoup the outstanding loans.<sup>6</sup> The Committee seeks to better understand the analysis used to reach this value and the decision it represents. The IG has testified and written reports expressing his assertion that the SBA did not perform a sufficient cost-benefit analysis before making the decision to abandon collection in either program.<sup>7</sup> The SBA has repeatedly asserted that a lack of personal guarantee requirement in the PPP loan program and COVID EIDL loans under \$200,000 make any attempt at collection futile, but the OIG disagreed. In its September 2022 report, OIG stated that SBA did not provide supporting evidence for its conclusion that alternative means of enforced collection would not be cost effective.<sup>8</sup> OIG maintained that feasible and cost-effective alternatives for collection could be identified.

Accordingly, the Committee writes today requesting justification for the aforementioned decisions and substantive cost-benefit analyses. Please provide answers to the following questions as soon as possible but no later than June 19, 2023.

1. Provide updated figures for the following:
  - a. Value of PPP loans under \$100,000;
  - b. Value of COVID EIDL loans under \$100,000;
  - c. Current value of pandemic loans for which collection is being paused or abandoned.
2. Clarify whether SBA intends to pursue PPP and COVID EIDL loans in default if they are valued over \$100,000, and a detailed description of what that pursuit entails.

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<sup>4</sup> *Oversight of SBA’s Implementation of Final Rules to Expand Access to Capital: Hearing before Senate Comm. On Small Business & Entrepreneurship*, 118<sup>th</sup> Cong., statement of Mr. Patrick Kelley, Associate Administrator, Office of Capital Access, Small Bus. Admin. (Apr. 26, 2023).

<sup>5</sup> Letter from Adrienne Grierson for Jihoon Kim, Director, Office of Financial Program Operations, Small Bus. Admin., to Roger Williams, Chairman, H. Comm. on Small Bus. (Mar. 27, 2023).

<sup>6</sup> *Oversight of SBA’s Implementation of Final Rules to Expand Access to Capital: Hearing before Senate Comm. On Small Business & Entrepreneurship*, 118<sup>th</sup> Cong., statement of Mr. Patrick Kelley, Associate Administrator, Office of Capital Access, Small Bus. Admin. (Apr. 26, 2023).

<sup>7</sup> *Office of Inspector General Reports to Congress on SBA Programs: Hearing before H. Comm. On Small Business, Subcomm. on Oversight, Investigations & Regulations*, 118<sup>th</sup> Cong., statement of The Honorable Hannibal “Mike” Ware, Inspector General, Office of the Inspector General, Small Bus. Admin. (Apr. 19, 2023); SMALL BUS. ADMIN. OFFICE OF INSPECTOR GEN., SBAIG-22-25, SBA’S GUARANTY PURCHASES FOR PAYCHECK PROTECTION PROGRAM LOANS (Sept. 30, 2022).

<sup>8</sup> SMALL BUS. ADMIN. OFFICE OF INSPECTOR GEN., SBAIG-22-25, SBA’S GUARANTY PURCHASES FOR PAYCHECK PROTECTION PROGRAM LOANS, 6 (Sept. 30, 2022).

3. Describe, in detail, justification for using the SBA Express loan program as the basis for analysis in deciding to abandon collection on pandemic lending under \$100,000, including:
  - a. Why this program is being used as a comparative basis for both COVID EIDL and PPP loans, addressing differences between the two pandemic lending programs and why they are evidently negligible;
  - b. Whether the SBA believes the exponential difference in portfolio size has any impact on the analysis; and
  - c. Whether the SBA has communicated with the OIG regarding its opinion that the SBA Express loan program is not a suitable comparative basis for this analysis.
4. Copies of the cost-benefit analyses performed to reach the decision not to collect on both PPP and defaulted COVID EIDL loans under \$100,000.
5. Explain Mr. Kelley's assertion from the Senate hearing that it would "cost about \$6 million to collect \$3 million on that \$1.2 billion...PPP loans."
  - a. Please provide a copy of the calculation used to reach these figures.
  - b. Does this apply to both PPP loans and COVID EIDL loans under \$200,000 (neither of which required a personal guarantee)?
6. In its September 2022 report, OIG said that in accordance with their audit follow-up policy they would attempt to reach agreement with SBA management on the unsolved recommendation of exploring alternative means of collection for pandemic loans, deemed not cost-effective by SBA due to the lack of collateral and personal guarantees.<sup>9</sup>
  - a. Has the SBA explored alternative means of collection as recommended by the OIG?
  - b. Have the SBA and OIG reached agreement on the unresolved recommendation?
7. Explanation of Mr. Kelley's claim that it cost the agency \$700,000 in fees to have an administrative hearing "before the wage offset kicks in" after being referred to Treasury Offset upon failure to repay a PPP loan.<sup>10</sup>
8. Please clarify whether the subsidy rate for PPP loans is 130 cents on the dollar or "103 to 100 cents", as both were claimed during the Senate hearing.

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<sup>9</sup> SMALL BUS. ADMIN. OFFICE OF INSPECTOR GEN., SBAIG-22-25, SBA'S GUARANTY PURCHASES FOR PAYCHECK PROTECTION PROGRAM LOANS, 7 (Sept. 30, 2022).

<sup>10</sup> *Oversight of SBA's Implementation of Final Rules to Expand Access to Capital: Hearing before Senate Comm. On Small Business & Entrepreneurship*, 118<sup>th</sup> Cong., statement of Mr. Patrick Kelley, Associate Administrator, Office of Capital Access, Small Bus. Admin. (Apr. 26, 2023). "If you do not repay your loan, if you do not seek forgiveness, incidentally, if you miss 60 days of nonpayment in the PPP Program by design, ratified by the Economic Aid Act, you still have up to five years to come back and seek forgiveness. So we would be referring to Treasury debt. You are then allowed to have an administrative hearing as a member of the public regarding that before that wage offset kicks in. That costs the agency \$700,000 in fees."

The Honorable Isabella Casillas Guzman

May 19, 2023

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To schedule the delivery of your response or ask any related follow-up questions, please contact the Committee on Small Business Staff at (202) 225-5821. The Committee on Small Business has broad authority to investigate “problems of all types of small business” under House Rule X. Thank you in advance for your cooperation with this inquiry.

Sincerely,

A handwritten signature in black ink that reads "Roger Williams". The signature is written in a cursive, flowing style.

Roger Williams  
Chairman  
Committee on Small Business

cc: The Honorable Nydia M. Velasquez, Ranking Member  
Committee on Small Business