



U.S. Small Business
Administration

Statement of William M. Manger
Associate Administrator, Office of Capital Access
U.S. Small Business Administration

before the
House Committee on Small Business
Subcommittee on Innovation and Workforce Development

**Hearing on “Paycheck Protection Program: An Examination of Loan
Forgiveness, SBA Legacy Systems, and Inaccurate Data.”**

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Thank you, Chairman Crow, Ranking Member Balderson, and members of the subcommittee for inviting me to speak with you today. It is my pleasure to appear before you to discuss the Paycheck Protection Program (PPP). I am eager to provide you with information on PPP loan forgiveness, loan-level data, and the information technology systems SBA uses to operate its various business loan programs.

Since 2017, I have served as the Associate Administrator for the Office of Capital Access (OCA). I previously served as the SBA Regional Administrator for Region 2, based in New York, from 2005 to 2007, and as the SBA Associate Administrator for the Office of Field Operations, based in Washington, DC, from 2007 to 2009. In each of my positions at SBA – and in particular during the last six months during the COVID-19 pandemic – I have recognized and supported the significant, lasting, positive impacts that SBA programs have on the nation’s small businesses and the communities they serve.

In my current role, I am responsible for the Office of Capital Access’s administration of SBA’s 7(a) business loans, the Community Advantage Pilot program, the 504 Loan Program, and the Microloan Program. Collectively, these programs connect small business entrepreneurs that otherwise are unable to obtain conventional sources of capital with participating private sector lenders willing to lend necessary capital to start or grow small businesses.

The Office of Capital Access also administers the PPP, which is the largest program in SBA’s history. Working in consultation with the Department of the Treasury, SBA stood up and implemented the PPP less than one week after the enactment of the CARES Act, and in the first 14 days of the program, SBA processed \$343 billion, which is more than 14 years’ worth of loans. At the peak of the program, SBA processed 12 months’ worth of loans in a single day.

As of August 8, 2020, more than 5.2 million small businesses, nonprofit organizations, independent contractors, and sole proprietors had received more than \$525 billion in PPP loans.

Delivery of the program and funding would not have been possible without the hard work of nearly 5,500 existing and new lenders that participated in the PPP. Community banks, credit unions, Community Development Financial Institutions, Minority Depository Institutions, farm credit lenders, financial technology firms, and traditional lenders all played a critical role, working around the clock to process loan applications and disburse critical loan funds to small businesses that allowed them to keep tens of millions of American workers employed.

Forgiveness Process

Although PPP lending closed on August 8, the Office of Capital Access continues to devote significant resources to carry out the PPP. OCA has issued public guidance and continues to refine processes and requirements for loan forgiveness, loan reviews, guaranty purchases, and related activities under Section 1106 of the CARES Act. To date, SBA, in consultation with Treasury, has released 30 Frequently Asked Questions that provide guidance about the Loan

Forgiveness process. This guidance is in addition to the rules regarding Loan Forgiveness and Loan Review Processes.

Pursuant to statute, PPP loans are eligible for full forgiveness if funds are used for eligible payroll costs (minimum 60% of total funds must be used toward payroll), mortgage interest payments, rent or lease payments, and utilities payments during the Covered Period, which is the 24 week period after the borrower received their loan.

To receive loan forgiveness, borrowers are responsible for submitting a Loan Forgiveness Application (SBA Form 3508, SBA Form 3508EZ or lender's equivalent) and required supporting documentation to their lender (or to the lender servicing the loan). Lenders are then responsible for reviewing the documentation and issuing a decision on loan forgiveness to SBA within 60 days of receiving the application.

Within 90 days of the lender issuing its decision to SBA, and subject to any SBA review of the loan or the loan application, SBA will remit the appropriate forgiveness amount to the lender, plus any interest accrued through the date of payment.

If applicable, SBA will deduct any Economic Injury Disaster Loan (EIDL) Advance amount received by the borrower from the forgiveness amount remitted to the lender, as required by section 1110(e)(6) of the CARES Act. The lender is responsible for notifying the borrower of the forgiveness amount remitted by SBA, and if any balance remains on the loan, the loan deferral ends and the borrower must begin making payments on the loan and repay the balance due on or before the maturity of the loan.

If the borrower does not submit a Loan Forgiveness Application within 10 months after the last day of the Covered Period, the loan deferral ends, and the borrower must begin making payments on the loan. The borrower may submit a Loan Forgiveness Application any time on or before the maturity date of the loan. The Loan Forgiveness Platform launched on August 10, and we have already begun processing applications. Borrowers may appeal certain final SBA loan review decisions to SBA's Office of Hearings and Appeals.

As PPP loans may be forgiven in full, SBA is working diligently to ensure that taxpayer dollars are used to provide loan forgiveness only to borrowers that were eligible to receive their PPP loans and used the loan proceeds as Congress intended.

It is important to recognize that the forgiveness process, while related, is separate from the loan review process. As noted in guidance and rules issued by SBA, all PPP loans are subject to review at any time in SBA's discretion. Further, as the Administrator and the Secretary of the Treasury announced on April 28, 2020, all loans \$2 million and above will be reviewed to ensure that the borrower properly, and in good faith, certified economic need for the PPP loan. The loans \$2 million and above also will be reviewed for compliance with general program requirements. In addition, regardless of their value, SBA is reviewing loans when it receives reports that specific loans or borrowers do not meet program requirements or otherwise may be ineligible.

SBA has established loan review procedures, whereby all loans will be screened through an automated process. SBA will leverage the automated review tool to detect ineligibility within the PPP loan portfolio. Issues of fraud, certification of need (for loans of \$2 million or greater), eligibility, and other SBA flagged loans will be reviewed via a combination of the automated tool and subsequent manual reviews.

PPP Public Data Disclosures

Given the breadth of the PPP, SBA understands the importance of transparency and accuracy in providing data to the public. SBA's goal in releasing loan data throughout the PPP is to strike a balance between providing transparency to American taxpayers and protecting small businesses' confidential business information and owners' and employees' personally identifiable information.

To this end, SBA provided daily PPP loan amounts and volumes as well as weekly aggregate PPP loan totals in documents that were publicly accessible on the SBA website. SBA also publicly released PPP loan level data on July 7 and on August 15. In addition, SBA has provided full loan-level data on all PPP loans to the Government Accountability Office and congressional committees, including the House Small Business Committee.

It is important to note that PPP loan data reflects the information submitted by lenders to the SBA for PPP loans. Between the data releases, SBA made significant efforts and worked with lenders to improve the accuracy of the loan-level data, including the improvement of congressional district loan data. SBA also provided a mailbox on the SBA website to allow borrowers to request corrections to publicly released PPP loan data.

To further enhance the accuracy of the public data, SBA updated a column heading. The column heading "JobsRetained" is now "JobsReported." SBA made this change to properly identify the source of the information reflected in the column. The PPP loan borrower application form asked applicants to state their number of employees. After approving loans, lenders reported the jobs information in SBA's loan processing system, E-Tran. Therefore, the loan-level data reflects the jobs information reported to SBA by PPP lenders based on information the lenders obtained from borrowers. The column heading was changed to "JobsReported" only to make clear the source of the jobs information in the loan-level data. No changes were made to the numbers provided by lenders in the Jobs Reported column.

Loan Systems

For the PPP, because of the speed with which the program was stood up and the urgent need to assist small businesses, SBA used the existing E-Tran system – the loan processing platform that SBA uses for its traditional 7(a) Program. Although PPP loans were made by participating lenders on a delegated basis, PPP loans had to be booked with SBA and provided loan numbers. Although E-Tran was not designed for a program the size and scale of the PPP, the system worked remarkably well and successfully booked 14 years of loans in the first 14 days of the PPP. Our staff was able to make real-time adjustments to improve E-Tran's performance. For example, we blocked lenders from using robotic systems in late April, a

process which was slowing down the system for everyone else. We also reserved processing time for the smallest lenders and their small business customers for an eight-hour period beginning on April 29, 2020. Finally, since the PPP inception, SBA conducted system maintenance on weekends and off-hours to increase memory capacity, system resiliency, and overall operating capacity.

As a result of these efforts, between April 3 and August 8, SBA systems were able to accomplish the following metrics:

- 72,852 new users were admitted access to E-Tran for originating and servicing PPP loans;
- Between April 3 and April 16, SBA booked almost 5,000 loans per hour (1.7 million gross loans divided by 14 days);
- On April 15, the peak of loan processing, SBA booked 328,826 loans worth nearly \$50 billion.

Going forward, for the loan review and forgiveness processes, SBA is using a combination of existing systems and new cloud-based systems. Our OCA team has consistently sought to enhance our systems, including the addition of memory and processing capacity in response to the demands placed on the existing technological infrastructure.

I am very proud of the work we are doing at SBA and I am fully committed to ensuring that the Office of Capital Access works as efficiently as possible in supporting all small businesses and non-profit organizations across the country.

Thank you, Chairman Crow and Ranking Member Balderson, for inviting me to testify here today. I look forward to answering your questions and continuing our work together to help advance the success of small businesses across the country.