



April 8, 2020

The Honorable Charles Grassley
Chairman, Committee on Finance
United States Senate
Washington, DC 20510

Dear Chairman Grassley:

As the CEO of the National Society of Accountants (NSA) I am writing to express my significant and growing concerns over the implementation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act with particular reference to the programs aimed at providing assistance to small businesses across the United States.

The CARES Act contains a number of relief initiatives to provide assistance to various sectors of the US economy with three significant elements of the bill specifically designed to assist small businesses:

- **Economic Injury Disaster Loan (EIDL)** – Small Business Administration (SBA) loan program of up to \$2 million to companies experiencing severe loss of revenue.
- **Economic Injury Disaster Loan (EIDL) Emergency Advance** – SBA administered emergency advance not to exceed \$10,000 to be provided within three days of completing online EIDL application.
- **Paycheck Protection Program (PPP)** – SBA program in which loans are made by private lenders of up to \$10 million to help businesses keep their workforce employed.

While each of these programs offer significant hope to the small business community, the troubled implementation of these programs is preventing much needed financial assistance from reaching small businesses.

The first notable issue is the definition of “small business”. The CARES Act states that both EIDL and PPP are for small businesses with 500 employees or less. However, new SBA guidance released on April 7, 2020 states that small businesses eligible for relief may, in some cases, have more than 500 employees. Small business statistics provided by Fundera (a SBA lender) show that the majority of small businesses in America have far fewer than 500 employees. In fact, 98.2% of small businesses have less than 100 employees, and of those, 89% have fewer than 20 employees. CARES Act financial resources and priority must be given to **actual** small businesses.

The specific issues reported by NSA members in the individual program areas are as follows:

Economic Injury Disaster Loan (EIDL): The most significant issue with EIDL is confusion with the form. Specifically, is the EIDL application and the EIDL Advance application the same form? NSA members have been unable to obtain clarification from the SBA. Furthermore, there is no information given about the Advance once the EIDL application is submitted. NSA has made numerous attempts to contact the SBA with no success.

Economic Injury Disaster Loan (EIDL) Emergency Advance: In addition to the confusing application process, NSA members are reporting that businesses are not receiving **ANY** of these much needed funds—much less within 3 days of their application.

Paycheck Protection Program (PPP): The PPP is the largest option for small businesses and by far the most troubled. Applicants are facing the following problems with the program:

1. A significant number of lenders are choosing to either not participate in the program or are unable to participate due to confusing guidance or lack of guidance.
2. A significant number of lenders are unable to participate in the program because the SBA is yet to open the process to new lenders seeking to become SBA approved lenders.
3. Lenders are only making loans to existing loan clients. Therefore, small businesses that do not “currently” have a loan with the lender, even though they may have accounts and investments with the lender, are not being processed.
4. Loan applications are being accepted by banks that do not intend to process the application due to issues highlighted in points 1 and 3. This is preventing applicants from submitting potentially viable applications with other lenders as each business is allowed only one application for the PPP.
5. The lenders who are participating in the PPP have only one “processor number” to process the loans for the entire bank, regardless of the number of branches. Regional banks in particular are overwhelmed by the number of applications because all applications are funneled to the lender location with that processor number.
6. A significant number of small businesses are almost totally reliant on their tax and accounting professionals to assist them in the understanding and completion of all financial applications and required documentation. Yet the SBA Interim Final Rule on PPP states that no “agent” providing assistance to applicants can charge a fee. Instead, tax and accounting professionals must recover their fees from the lenders. However, according to NSA members, lenders are refusing to pay fees to the agents. The SBA Interim Final Rule on PPP clearly and specifically provides instructions for how lenders should pay “agent” fees from funds provided by the SBA to lenders for this purpose. It is critical to remember that “agents” are small businesses themselves and are already reeling from the financial consequences of the much needed, but significantly disrupting, changes to Federal and state tax filing deadlines.

7. The \$349 billion provided for the PPP is simply not enough money to provide relief to small businesses—the backbone of the American economy—to weather this unprecedented financial storm.

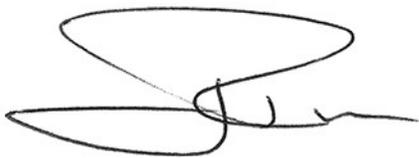
In reference to point 3 above (lenders only providing loans to existing loan clients), the implementation of the PPP is inadvertently punishing small businesses who are not currently leveraged or in debt to a bank. This is particularly true for many NSA members and their clients who operate without the need of borrowed capital during normal economic times. Arguably, these are examples of well-run, economically viable small businesses who are now prevented from receiving critical loans under the PPP.

Furthermore, these are also small businesses likely to pay the most taxes in normal times since they do not have debt expenses to write off on their taxes. When our nation recovers from the COVID-19 pandemic—and we will recover—the best of American ingenuity and entrepreneurial spirit will be gone. What will remain are those businesses that the banks had a vested interest in preserving because, as of February 15, 2020, they already owed those same banks money.

NSA urges Congress to take immediate action to direct the SBA to provide improved guidance and rule changes as it relates to the following issues:

1. Clarify the issues preventing banks from participating in the PPP, most notably relating to fraudulent applications and where liability for those loans resides.
2. Provide a pathway for new loan customers to benefit from the PPP and end the current discriminatory lending practices by ensuring lenders take applications on a “first come, first served” basis as announced by Treasury Secretary Mnuchin when the program was first introduced.
3. Allow tax and accounting professionals serving small businesses as an “agent” to charge and collect appropriate fees for providing professional services to PPP applicants.
4. Ensure consistency in forms and applications. NSA members are reporting application changes resulting in confusion and delays.
5. Provide additional loan center processing numbers to lenders so that loan applications are processed in a timely manner.

Thank you for your time and consideration on these critical issues.



John Rice
CEO