

CONGRESSWOMAN
JENNIFER WEXTON
PROUDLY REPRESENTING VIRGINIA'S 10TH DISTRICT



Amir:

Okay. Congresswoman, we are live.

Jennifer Wexton:

Well, good afternoon. I want to thank everybody for joining us for our small business town hall. I'm pleased to be joined today by Antonio Doss, who is the District Director for the Washington Metropolitan Area District Office of the United States Small Business Administration. Sadly, he is experiencing some connectivity problems, so he is only going to be with us by audio, but he is here and will be happy to answer the questions that have been submitted, and is ready to inform us about what the SBA is doing to make sure that these programs are going to run as smoothly as they possibly can. So, if you want to say hi Director Doss, real quickly, that'd be great.

Antonio Doss:

Well, hello and thank you for having me today. I'm looking forward to the session.

Jennifer Wexton:

Wonderful, thank you. Now in Virginia 10, we have more small businesses than in any other congressional district in the Commonwealth. So, this is something that's extremely important to me and obviously to my constituents. I've been hearing directly from small business owners in Virginia 10 for the past several weeks, and I know that this is an unprecedented crisis, both in terms of the scope and depth and breadth and the speed with which it has overtaken our otherwise booming economy. So, I've been reaching out to many constituents about their experiences with the loans, whether it be the Paycheck Protection Program or the Economic Injury Disaster Loans, just to get a better sense of how the process has gone for you.

Jennifer Wexton:

Some of you may have already received and returned my survey. The results of that survey were alarming. Of almost 200 constituent business owners who had submitted the survey, who answered the questions in it and provided comments, out of almost 200, only 12 had received confirmation that their loans had been approved. All 12 of those were Paycheck Protection Program loans. Not a single EIDL Loan had been approved. Only two per the comments as best we were able to tell, had actually been funded, and those were both a Paycheck Protection Program, not a single EIDL Loan. That includes the \$10,000 grant, which a number of people mentioned that they had applied for, were supposed to receive in three business days and did not. So, there are obviously issues with these programs, and so it's something that we're working on very hard.

Jennifer Wexton:

I am personally working with the administration about implementing these programs as effectively as we can, both in terms of helping the SBA and Treasury get guidance to the lenders so that they know what their obligations are, what their options are and how to process these loans. I recognize that in Congress, we also have an obligation to get more money into these programs to help small businesses in their efforts. So, we're going to have to plus up both of these programs in short order. Only 17 billion additional money for EIDL was provided in the CARES Act. As you probably are aware, 250 billion for the

Paycheck Protection -- 350 billion. It's not going to be enough when you add up all the numbers for all the businesses. We're going to need to take advantage of these programs. We're going to need to plus them up.

Jennifer Wexton:

We're also going to need to identify gaps that exist or administrative issues that can be ironed out in these acts and these programs. We also need to make sure that we get relief to everybody who needs it. Part of the problem that we've experienced is that lenders have been reluctant to lend to unknown borrowers or businesses, because of the way that it's been rolled out. So, we need to make sure that that is not the case and that everybody can equally access these programs.

Jennifer Wexton:

So, quick overview of the CARES Act, most of you are already aware of the programs that are included in it. If you have not visited my website yet, wexton.house.gov has a COVID-19 resource guide, which has tons of information about these programs and about FAQs and application process and everything. The center piece of the \$377 billion loan and grant program is the Paycheck Protection Program, which is the \$350 billion program to help keep employees on payroll and reimburse businesses for those payroll expenses, plus, another supplement for things like rent and utilities that are necessary to keep those businesses up and hopefully running. \$10 billion for emergency grants of up to \$10,000 under the EIDL program to provide immediate relief for businesses with operating costs. \$17 billion for the SBA to cover 6 months of payments for small businesses with existing SBA loans, of which there are many. There's also sole proprietors, independent contractors and other self employed individuals are eligible for these loans.

Jennifer Wexton:

There's also the employee retention tax credit, where it would be a refundable tax credit for 50% of wages paid to employees during this COVID-19 crisis that's only eligible for employers who are not taking advantage of any of the other SBA payroll support loans. That's up to the first \$10,000 compensation including health benefits that's paid to an eligible employee. In addition, there's a delayed payment of employer payroll taxes, which now may be paid over the following two years. They're not due monthly or quarterly depending on your filing schedule. In addition, as I mentioned, there are protections for federal contractors in terms of the terms of their contracts with the federal government. The CARES Act agencies to provide flexibility, including additional time to carry out contract requirements. Agencies are allowed to continue contracted payments to prevent layoffs and service disruptions.

Jennifer Wexton:

These are protections that I was fighting for for many weeks because I have so many contractors in my district, and I've heard the horror stories of what happened both in the last shutdown and fears that because of nonperformance ability through no fault of the contractors, that they would have their contracts terminated. Now, we are also monitoring the administration's response to make sure that these provisions are fairly and expeditiously implemented across all agencies.

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Jennifer Wexton:

Finally, if you do have any questions or requests for my office, please do not hesitate to call or email. We are all working remotely and we're all hands on deck trying to get through this, and trying to help our small businesses with any resources that they may need.

Jennifer Wexton:

Finally, I would add with the Virginia Employment Commission, that Virginia will launch the Federal Pandemic Unemployment Assistance Program. We are hoping that you will be able to keep all your employees on the payroll and not have them have to resort to unemployment benefits. But realistically, we know that that's going to happen. A lot of folks had already applied for those benefits and gotten kicked off, because the system was not equipped to handle the pandemic response. So now, VEC which handles these unemployment claims is going to be reaching out to the nearly 75,000 Virginia workers who were previously denied benefits, either because they were gig workers or contractors or otherwise ineligible, but now they are.

Jennifer Wexton:

So, those who have not filed an initial claim are encouraged to do so at this time. I understand that the system is very busy, but please be patient. They're taking over other call centers and everything and it's a top priority for the administration. So with that, I would like to take a moment to allow Director Doss to introduce himself to everybody and tell a little bit about how it is that he came to be here today.
Director Doss?

Antonio Doss:

Well, good afternoon again Congresswoman Wexton, it's good to be here with you and all your constituents. Yes, we are in the midst of some really unprecedented situations here, facing the entire country of course, and definitely here close to home. As the District Director for the Small Business Administration's Washington Metropolitan Area District Office, my team and I, we support the small businesses in Northern Virginia, Washington DC and Montgomery and Prince George's County, Maryland. We've been front and center of course on a lot of the things related to the recovery effort that we're really in the midst of right now, with regard to COVID-19.

Antonio Doss:

I wanted to just walk through probably five major points, some in a little bit of detail, but I'll go through them quickly, and then we'll have time I believe for also for Q&A, and hopefully we can address your questions during the question and answer period. One of the things that I want to focus on very first, the item is about loan deferrals. This is not actually something that is unique to SBA loans, but I'll start with the SBA loans. If you're a borrower of an existing SBA loan, say a 7A or a 504, even one of our micro loans as a borrower, you can go to your lender and say, "I'm dealing with issues related to COVID-19 and I would like to have my loan payments deferred." The lender can defer your existing payments that you make on a monthly basis up to six months in length of time.

Antonio Doss:

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What's great about that is of course, everybody needs every dollar that they can spare right now to put back into their operating expenses. This is one way with almost no application. I mean a very, very slim communication that probably has to take place with the bank, they can actually make this happen for you. So, if you're paying, \$5,000 on a monthly debt right now, if you don't have to pay that 5,000 now, you can use that for other purposes.

Antonio Doss:

What's really not that very good about what the federal government has done in its entirety is, that same approach is extended to loans that are not SBA loans. The reason it's extended is because, all of the federal financial regulatory agencies, so names that you think of like the FDIC, the Office of the Comptroller of the Currency, the Federal Reserve, National Credit Union Administration, they all came together, issued a joint communication to the financial lending institutions and said, "We are encouraging you to work with your business borrowers to make sure that they can get loan modifications," which is a term that typically is used, "And loan deferments so that they can make these payments at a later point rather than trying to use what very, very limited cash flow they have right now to make a loan payment." When you do that, because it's an agreement with the bank, the bank does not consider it to be past due. They don't look at it as a negative thing. As long as you are in good standing with your loan payments going into this situation, they're really, really pretty accommodating with this right now.

Antonio Doss:

That approach that happens with the banks right now is atypical. If the Federal Reserve, and OCC and FDIC et cetera hadn't made that statement, most institutions wouldn't be able to have done this transactional adjustment the way that they're doing. So that's one thing that-

Jennifer Wexton:

But Director Doss, that's not mandated, right? That's just a guidance encouraging banks to-

Antonio Doss:

That's right, yeah it is.

Jennifer Wexton:

Then, it still requires that you have that communication with your lender to get their forbearance and agreement as well. Isn't that correct?

Antonio Doss:

Yes, that is exactly right. Many of them have gotten to the point where they're systematizing that request, so they can process it easier. Normally this is a pretty long, lengthy conversation with your lender and they're usually reluctant to do something like this because, it would normally result and your loan being considered a bad asset, which means lesser earnings for the bank. But, it's a different situation because of the way that the regulatory agencies have supported this. So, I thought that was a really good thing. It's one of those ones that hasn't gotten as much publicity, but I always want to share it with people because it could make an immediate difference in your financial situation.

Antonio Doss:

The second one I want to get into a little bit more is our Payment Protection Program. This is the one you hear probably pretty good a bit about now. You may hear it referred to as PPP for short, Paycheck Protection Program. This is funding that's available for businesses, whether you're a sole proprietor, self employed or you're an independent contractor, even nonprofits, veterans organizations can all participate in this particular program. Generally, your rule of thumb is you have to be small, which usually means 500 employees or fewer. There are some other exceptions related to that. If you're more than 500 employees, we can discuss that.

Antonio Doss:

Funding is available up to \$10 million per borrower in this particular situation. You can only get one of these loans right now. So, up to \$10 million. The interest rate is at 1%, and it is an extremely streamlined application process. These loans look almost nothing like anything most lenders and bankers are used to using, particularly for an SBA loan. It's essentially a one page application, and we ask for very little information. Through our relationship with SBA and the treasury, we've basically communicated back to the banks, you're not as a bank or a lender required to follow all the normal lending guidelines that we have. We're trying to put money in the hands of the employees, who are really in jeopardy of getting a paycheck right now, because their companies don't have revenue or don't have the revenue that they normally would have.

Antonio Doss:

So, the way we're structuring this, we're really looking at how much of the funds are used for payroll expenses. In our application, we're trying to understand how much money you spend on payroll and other short term working capital expenses like mortgage interest or lease expenses and things like that. If you spend more than 75% of your loan proceeds on payroll related expenses, then you have a very good chance of getting your entire loan forgiven, meaning you don't have to make any payment on it because the first payment's not due for six months, and hopefully we're back up and running much before six months. Then in that case, you'll be able to get the loan proceeds pay your employees to keep them employed, and keep the economy going. Then, if you do have a residual amount left over, that is not forgiven, it's a two year maturity. So, it's probably a very small amount that most institutions will be looking at, most banks, assuming most borrowers will be looking at that situation. So, Paycheck-

Jennifer Wexton:

Director Doss, I don't think you need to sell anybody on this call on the Paycheck Protection Program. I know that most of them have applied for it. So what's the third item?

Antonio Doss:

All right. So, the third one deals with the Small Business Debt Relief Program. If you're an existing SBA loan borrower, SBA is automatically going to pay your principal, your interest and fees on a current SBA 7A, 504 or micro loans. We're going to do that for up to six months. I know everybody's in the throes of trying to deal with how do you keep your current payroll situation going, but if you are in the midst of getting a loan for something outside of that, where you're going to look at a 7A, or a 504 or a micro loan, if you take that loan out before September 27th of this year and again, this is not a Paycheck Protection

Program, this is our regular loans, we will also pay six months of your principal, interest, and fees on that new loan. So, not only are we there to help you right now with the immediate issue, but beyond that as well, if you're looking at still growing or making some key acquisition related to your business.

Antonio Doss:

The fourth item I want to get to is the Economic Injury Disaster Loans. There's a couple things on this I want to make sure everybody has up to date. By the way, this whole environment is very, very fluid as you can probably tell. We've put a lot together on all of these programs at a pretty quick amount of time. Now, the Economic Injury Disaster Loans have a maximum loan amount of \$2 million. Up to 10,000 of that amount can be forgiven. So, if you apply for an Economic Injury Disaster Loan, at the end of your application, it'll say, "Are you interested in getting up to \$10,000?" If you say yes, we will fund that amount. That's the piece that comes through a direct credit to your account from the Treasury Department.

Antonio Doss:

I want to make a clarification. It's not necessarily a blanket \$10,000 it's employee dependent. So essentially, it's \$1,000 per employee. If you have 10 or more employees, it's \$10,000, if you have 5 employees, it's \$5,000 and if you're a sole proprietor with nobody else but you, it's \$1,000. So, I want to make sure that was clear. The interest rates are 3.75%. These loans are stretched out to 30 years in repayment. That was one of the things that our administrator pushed for, was to make sure we had the least amount of strain on a business in terms of repaying these loans. She's also deferred the first payment for 12 months.

Antonio Doss:

We right now have also a limited amount of funding available in this program, as the Congressman has already shared with you. So, one of the adjustments that we made is to limit the amount of the initial draw against these funds to \$15,000. So, what we're saying is, based on what we have right now, we made the decision, let's try to get as many borrowers something rather than getting a few borrowers everything they've asked for. So up to \$15,000 is that minimum amount or excuse me, the maximum amount that we're providing in the initial advance of those funds. Plus of course, you can still get the up to 10,000 amount. Those two are separate.

Antonio Doss:

We can ask, if they want more during the Q&A part on that, because I'm sure people may ask other questions. The last thing I really want to focus on is, even though we're all focused on getting dollars right now, you also as a business owner have a lot of decisions to make. You've got things that you're thinking through now that you never thought you'd have to think through. But COVID-19 is putting us in a different position. You don't have to go through those things by yourself. SBA and our resource partner SCORE, who provides free mentoring, our Small Business Development Centers, our Women's Business Center Program, our Veterans Business Outreach Center Program, every single one of them provided free one-on-one, individualized, confidential coaching and counseling. So, if you're thinking about what you're trying to do or if you need help on the application process or whatever it is, reach out to us and our resource partners and we will certainly help you through these processes and help you

strategize. I think with that, I'll curtail my comments and we can go to the Q&A period whenever you're ready.

Jennifer Wexton:

Wonderful, good, because I've got lots of questions for you that were submitted by constituents. So, starting with something that's timely and seasonal, is about seasonal employment. We have a lot of agricultural and tourism related businesses in the district. A lot of questions we've seen repeatedly is, what guidance is the SBA providing banks with in regard to businesses with seasonal work and seasonal employees? So, how are they to assess what their average payroll is? They might not have very much payroll in January and December, but they might have a whole lot between April and August. So, how are they supposed to assess those payroll questions?

Antonio Doss:

One of the key things about these programs is, we realize that everything is not perfect in all the scenarios. So, seasonal worker or seasonal businesses are a great example of that. It'll be up to the borrower to just demonstrate what their typical scenario is for what their employment is, what their business levels are when you're communicating with your bank. The banks have been informed that this is a component that we don't want to say we're only helping businesses that have a consistent revenue stream year in, year out, every 12 months. What we're saying is, go to your bank and let them know what your needs are, you're going to still use the same programs, the Paycheck Protection Program would be still appropriate for you to use for this. The main thing you need to do is just make sure you're communicating what's your employer costs are, your payroll, what your number of employees are typically during the seasonal periods. We can make the adjustment based on what you need for that in the loan amount, and we'll support you through the PPP program and your lender.

Jennifer Wexton:

This is, Director Doss, this is something I would add that we took into account in the legislation itself because, it provides that for seasonal employees, if you're determined to be a seasonal employer, then the average monthly total payments for payroll shall be the period beginning on March 1st 2019 and ending on June 30th. So, just for that period of time, that monthly period. So, looking back to 2019 and seeing what your payroll was during those months. I hope that lenders are aware that that's the language, and I would imagine it made it into the guidance, and so hopefully they will have some flexibility for those seasonal employers. Next question-

Antonio Doss:

Exactly, so it gives us a consistent comparison.

Jennifer Wexton:

We have heard from a number of constituents who have made applications for SBA loans and haven't received any follow up correspondence, even a confirming email and the online dashboard doesn't provide any updates. So, what is the process for them to expect to hear something and is there a timeline or is it a problem if they don't get a confirming email that their application has been submitted?

Antonio Doss:

Excellent question and thanks for whoever submitted it. This has been one of the elements that has been a bit of a challenge for us. We initially started with one web platform, one underwriting program for Economic Injury Disaster Loans. Keep in mind, we normally do a few of these and they're always related to physical disasters that somehow or another have a contingent impact. Our initial loan protocol and our initial web portal really just wasn't sufficient for a nationwide onslaught of activity. So early on in the midst of this, we actually revamped, changed our whole approach and put up a better system.

Antonio Doss:

One of the catches that I think that we lost in that process is, we lost the update information that was in the other system, that said this is how you track where you are in the process. So, our expectation is that, the funding that goes through Treasury that comes as a credit to your bank account is still in process. We really thought it would have been more frequent and earlier than what it's been right now. So, I don't have a clear insight into exactly what the challenge is there. Other than that, I know that-

Jennifer Wexton:

I'm sorry Director Doss, when you say the money from Treasury, are you talking about the Direct Assistance Payments, or are you talking about an SBA loan?

Antonio Doss:

Correct. The 10,000 emergency grants or up to \$10,000 amount, that gets funded separately from the actual loan. So, the idea of the program was, you're going to get let's say \$15,000 in this scenario as a loan, but maybe you are a 5 person employee company. That \$5,000, we don't have to wait through all the normal loan stuff to get you that. We could push out that amount over to Treasury. Treasury is the fiscal agent so to speak, to push that money into your account, into your bank account. So, the idea was that would go really, really quick. The other might still take two weeks, three weeks, maybe take four weeks to get you your funding, but you at least have an initial piece that you can work with.

Antonio Doss:

I know the team is working to expedite that, and I don't have better information to say as to where that is or what the process is right now. But, it is a priority for everybody who's working on this to make sure that those funds get put in there because we've told you to expect it and, we're all disappointed that it hasn't gotten there as quick as we would like to. Probably not at this point as you are as a business owner.

Jennifer Wexton:

So, for people who have submitted those applications but not gotten any confirmation that they've been received, should they just assume that they're in the queue-

Antonio Doss:

Yes, yeah. If they've already applied for that up to \$10,000, they're out there in the queue, it's just in the processing phase right now.

Jennifer Wexton:

Okay. Because, one of the other questions which is related to that is the constituents who've applied for those EIDL emergency grants, whatever it is that you're terming them as, up to \$10,000, were supposed to be distributed within three days of the application and many constituents have been waiting for much longer. As I pointed out, in the 200 plus or so constituents who responded to our survey, not one has received an EIDL \$10,000 or any grant. So, is there a problem with getting that money out the door? I mean, what's the hold up on SBA? Is it just the volume or?

Antonio Doss:

Well yeah. The EIDL in general, we had always forecasted this was our initial projection, that we were going to have loan decisions at 18-21 days and that it will be a week to 2 weeks thereafter depending on the nature of the loan when funding would be received by the business. However, we didn't anticipate that the other part that was going to be the initial up to \$10,000 amount, was going to be much quicker. We felt like that was going to be three, five, seven days-ish timeframe. But also, it was brand new and so the process is using essentially a first time scenario for a nationwide program. I'm sure there's some elements to it that had to get adjusted along the way, and has contributed to the timing that we're experiencing now. Hopefully that'll pick up really, really soon. We keep hearing that it's about to hit, and so I'm disappointed that only two of the people who've responded have actually gotten those funds yet.

Jennifer Wexton:

That's on the Paycheck Protection. So, do you have any information about how many EIDL loans have been funded or do you not have any information about that?

Antonio Doss:

I do not. I do not have that information available.

Jennifer Wexton:

Okay, all right. I have a number of questions about the Paycheck Protection Program. One of them is concerning because, many lenders are requiring businesses who apply for these Paycheck Protection loans to move existing businesses to their banks in order to process applications for PPP. Is there any SBA guidance that discourages this or guidance from the Treasury Department that is discouraging this process?

Antonio Doss:

Right. The thing with the loan program is, it is actually a voluntary loan program. So, banks and financial institutions could opt in or not. I think almost all of them have opt in and many, many more are opting in daily. We're still signing up new lenders, who weren't already involved in the SBA Programs. However, almost all of them have basically said, we want to take care of our clients first. So, what we've been encouraging the borrowers to do is work with your primary bank. Hopefully you've got some relationship built up with your bank, and make application there as opposed to a bank that doesn't

know who you are. But, that has been a consistent refrain that we've had, we have heard in talking to lenders is that, they want to make sure that they get the money to their constituents.

Antonio Doss:

I think in some cases, I've also gotten feedback that lenders are concerned that if the \$350 billion, which is like a whole lot of money for all of us, ends up being less than what was needed, they don't want to have not helped a firm that's been banking with them for a lot of years, and have used that as monies for somebody that wasn't a customer. I think that's what also is driving their behavior.

Jennifer Wexton:

Okay. Very good. So there's no guidance discouraging this process, that you're aware of because it's a voluntary process.

Antonio Doss:

Yeah, because it's voluntary, correct.

Jennifer Wexton:

Okay, very good. Next question is about the Payroll Protection. These are still all about the Payroll Protection Program. Under that program, 75% of the funds must be used to pay employees within the first eight weeks after the loan is dispersed. But, because it's taken so long to process these loans and get this program stood up, some people have been keeping employees on their payroll, hoping that they would be able to be reimbursed for it, and now they're finding out that they may not get the disbursement for some other period of time, and they're not going to be able to afford to continue to make payroll until they get that support from the program. So, how should those businesses proceed? How would you advise them to proceed?

Antonio Doss:

They should still be able to take the Paycheck Protection Program funds and pay their employees. One of the catches that we're really dealing with right now as of timing, is the whole environment that we're in right now. So, if a business really needed this money three weeks ago and you're not going to get it for another week or two, we've got at least one four week period that's in the past, so to speak, once they get their loan. I think that's what their concern is. There may still be another eight week period even after they get their funds, if they get their funds a week or two from now, that they could still use the money for. I think the government in general has tried to be very generous with using the funding to accommodate the needs of the business as best as possible.

Antonio Doss:

The goal, I think that all the lenders are understanding and we've been sharing with them is, the goal is to make sure people still have money in their pocket. The employees are still gainfully employed so much so that they're getting a paycheck. So to that extent, they could use those dollars the way I understand it, to continue to fund those businesses or those employees paychecks for a period of time, if it is even before they've actually gotten their loan, if that's what the working capital money was that they needed. Because it has taken a little longer-

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Jennifer Wexton:

So, it could be retroactive or would that require a legislative fix or is that something that is within the discretion of SBA and treasury to make an implementing guidance? I guess the question is for those businesses, can they apply it to the eight weeks prior from whenever the emergency was declared until they get the money and be able to apply it to that period?

Antonio Doss:

Right. That's one of the things that hasn't-

Jennifer Wexton:

And reimburse them for wages that they've already paid, I guess is what I'm saying.

Antonio Doss:

Good point. It's one of those things that has not been explicitly lined out in terms of a communication that we've received yet. I'm just speaking in terms of what the expectations are in general of what we're trying to accomplish as a country with these funds. So, whether it's completely within the discretion of us SBA and Treasury combined in our public rulemaking, or if it requires a legislative adjustment, that I'm not sure of. But, I think the general intent is to try to have those funds be available to whatever extent the business needs to keep their payroll costs going. So, if they use their limited money on payroll for three or four weeks before they got their check, they're still going to need money for the next couple of weeks. I don't know that it should really matter that much whether you're using it for the week before, or between the pay period before or the pay period after you get the funding. So, I'm hoping we'll get additional-

Jennifer Wexton:

I agree with you when it comes to intent, right. But it makes a big difference for the employers themselves because, if they are at the margin and don't have... They're completely out of emergency cash, and they're using it to pay payroll, but then they still have a mortgage payment and all these other kinds of things or rent payments, those are issues that they need to deal with. Maybe this is something that we need to figure out as one of the gaps that needs to be addressed, because these programs have taken so long to get stood up, although it was pretty quick in the scheme of getting things this big done. But, the fact that in doing so we may have created a perverse disincentive to keep employees on the payroll, if it's only forward-looking and there's going to be such a period of time that they're left on the hook.

Jennifer Wexton:

So I agree with you that it certainly was our intent in Congress to make sure that the employers were able to keep employees on the payroll, and that the federal government would assist them in that process. But, we need to certainly clarify what the obligations are and when that period would start to toll.

Antonio Doss:

Yep, yep. Great point. I think what I'm seeing in terms of the way we're putting guidance together is that, we're really staying true to the intent of what we were trying to do as a legislative and executive branch to put this program together. We're just still looking for a little bit more of the details of that guidance so that we can point to something to give additional assurance to the borrowers and to the lenders, exactly how this works.

Jennifer Wexton:

Very good. So, here's a question that we've received from several people. "I submitted a Paycheck Protection Program application with Bank X on March 23rd. I have not received anything from them other than an acknowledgement of my application. Can I apply with other lenders? If I do so, will it cause problems?"

Antonio Doss:

This one we have said that you can only apply for it one time. I'm going to provide some information here to everybody just to give a sense about how this works for the banks. Even if we would have had everything on all the rules lined out the Saturday after the bill was signed into law or the Friday preceding it, banks would have still needed, lenders would have still needed time to operationalize on their end, to put in place this program, which is again, it's really a lot different than anything they typically do. So, there was always going to be some amount of time that was going to be needed to ramping up. I think what's happening for a lot of the banks is, they wanted to get in and get the applications processed as quickly as they could. We have some things that we needed to provide to them in terms of additional guidance. We've given them a lot of that additional guidance, including like how do they actually disperse the loan. So what loan documentation do they use? So they all have that now.

Antonio Doss:

My expectation is that they're working through the funding process on an individual basis with each of those borrowers right now. The banks probably just have a backlog. I'm sure they all do, because some of them took literally thousands of applications. We're pushing for them to get those loans initiated as soon as possible. The guideline now, as Treasury just issued is that, once the loan is approved, it should be funded within 10 days. Again, that's part of the official communication that we're providing to lenders is, in other words, don't say you approved it and it don't get to funding until June. You're going to approve it on day 1 and by day 10, you're putting the cash in the hands of the borrower.

Jennifer Wexton:

Some of it... And that's 10 calendar days, right? Not 10 business days that the guidance provides?

Antonio Doss:

10 calendars, yeah. 10 calendar days, that's correct.

Jennifer Wexton:

Just as far as further up the chain, the Federal Reserve has indicated that they're standing up a facility to buy back some of these loans so that banks won't have to keep them on their balance sheets. They'll be

able to then go out and lend more money and not have to be obligated on these and unable to do more with their liquidity requirements. So, there is a new facility and that's just only been in the past several days. So, that's hopefully going to help as well.

Jennifer Wexton:

Now, that Bank X was a big bank, but we're encountering the same thing with a lot of small banks, which we have a number of here in Virginia 10. Small lenders are lacking guidance often from SBA and their headquarters, to begin issuing Paycheck Protection Program applications. What is SBA doing to reach out to these smallest lenders to encourage them to lend and be able to give them the information that they need to be able to start helping their customers with these programs?

Antonio Doss:

This is one of the things that we recognize within our office, and our other district offices are similar to this as well, is that there's enough newness, which means enough opportunity for confusion, misunderstanding. So, we've been holding on a weekly basis now, just for the last two weeks, a call webinar with our lending community, with our bankers, our non bank lenders and others who are in the financial services arena, to update them on the programs, the processes, to answer their questions and otherwise just give them guidance. They all seem to be appreciative of it, because everybody's on a pretty steep learning curve.

Antonio Doss:

I know from listening and talking to a lot of the bankers, they're working around the clock trying to get all these things processed, and trying to get their systems in place. Particularly some of the smaller institutions, it's a little bit heavier lift for them because, they don't necessarily have a department that they could just send all these things to and have somebody craft up big systems for them to run it. So, they're working through it and I think they're getting closer and closer to moving to a disbursement opportunity for the borrowers.

Jennifer Wexton:

Very good, thank you. The next category, I guess the questions are about business categories and the way that these programs apply to different business categories. The first is for franchises. Every district has a number of franchisees, and sometimes they're treated as the parent company and sometimes they're treated as an independent company. For purposes of these SBA loans, is being a part of the SBA registry a requirement for Paycheck Protection or EIDL loans and is the franchisee independently allowed to apply for either of these programs?

Antonio Doss:

Yes, they are. Again, we try to be as clear as possible. We're not trying to exclude anybody from this opportunity to get the funding. There is a communication that's in our interim final rule, which instructs the lenders to not be obligated to follow all of the normal guidance that we have for our lending criteria. While we haven't specifically said in that language something specific related to franchises, we're funding everybody from members of the gig economy to small businesses who are budding right up to the small business size standards. As I understand it, we have no reason to not include funding of the

franchises. Again, as we get additional guidance out on some of these fine points to the rules that we have, we'll be able to more clearly state exactly what that means and how it works. But at this point, I haven't seen anything that says we're not supporting franchises. We're not doing something for franchises unless they're part of our registry.

Jennifer Wexton:

Very good. I guess the overarching goal is to be as inclusive as you can be and include as many businesses as you can. Is that correct?

Antonio Doss:

Yeah, yeah, exactly. We're not trying to leave anybody on the sidelines.

Jennifer Wexton:

Very good. So, we've received a question from another group of employers who pay their employees by 1099s. How do they calculate an average payroll if they only have independent contractors? They still have rent and utilities to pay. Many of these businesses were not essential. The one question came from somebody who owned a gym, who used independent contractors. So how do they calculate an average payroll?

Antonio Doss:

They're going to use their 1099 miscellaneous or 1099 MISC if you're looking at the document itself, to basically compare what their payroll and their operating expenses were. They may have some straight payroll where they've got an office assistant or somebody who's there, but then they may also have a series of expenses, operating expenses that are related to those 1099s. What we've asked in our rule is that the borrower provide whatever sufficient information they can to the lender to demonstrate that they have expenses associated with these things, and that they're akin to a payroll expense. So, the 1099 option is also one that we're funding through this program. They can application for it. They'll just need to provide a little bit different documentation in terms of including the 1099s, but it is definitely a possible item and it's one that we expect to see.

Jennifer Wexton:

So, they can just provide whatever information they have about what their total amount is that they pay in 1099 or, or W2 income, whatever those gross payments are, and that would be sufficient?

Antonio Doss:

Yes, yes.

Jennifer Wexton:

Okay. Very good. Next question comes from an independent contractor who does not have a formal business entity. They have not organized as an S Corp or an LLC or anything like that. This independent contractor just deposits their client payments into a personal checking account. They don't even have a separate business account. Is that individual eligible for the Paycheck Protection Program?

Antonio Doss:

Yeah, they still are. Again, a little bit like the 1099, they're going to have to demonstrate something to the lender that gives the lender enough information that they can reasonably see that these are expenses related to the business, and they're related to the working capital, principally the payroll part of it. For a lot of independent contractors and others as you're describing in this situation, they're taking money off of the top of a job that they're doing, so to speak. So, they don't have that detailed documentation. I mean, we would encourage them of course as they continue to develop their business, to build in some more formalities so that they don't have to worry about where they stand in situations like this.

Antonio Doss:

But in the meantime, our guidance to the lending community is, do reasonable reviews, but we're not requiring the lender to do an investigative research to figure out whether or not borrowers assumptions about their payroll expenses and working capital expenses are accurate. We're taking the word of the borrower as much as we possibly can. So, it's up to that business owner to make the case.

Jennifer Wexton:

But, they would still have to submit some documentation, whether it be their tax return from the previous year or something like that. I mean, you couldn't just go in and say, "I made \$300,000 in 1099 income, and I don't have any documentation for it." We're not going to be that loosey-goosey with it.

Antonio Doss:

Right, and particularly when we get to... I'm sorry. Particularly when we get to the forgivable nature of it, at some point we're going to want to look and see what those funds were used for. So, we don't want to encourage people to think that we're not watching the cookie jar because at the end of the day, of course as you know Congresswoman, there's an IG funded for this program too, to make sure that there's no fraud, waste and abuse that is happening. So, there will be some checks. You don't want people to illegitimately report scenarios that are not consistent with reality.

Jennifer Wexton:

But, it's not a bar to their getting this relief. It's just a matter of gathering your information and it makes it a little bit more difficult if you're not separately organized as a separate entity, right? Is that accurate to say that?

Antonio Doss:

Sure, that's correct.

Jennifer Wexton:

Another entity question we have comes from partnerships and partner income and the calculations. Lots of small businesses are partnerships. I mean, especially in accounting, law, all of those kinds of professions and they take out checks based on the profits relative to their share of ownership throughout the year. It's not 1099 income, it's not W2 income. They get K1s at the end of the year. A lot

of them don't even have those K1s yet for 2019 funds. Are they still eligible and what guidance is there for these entities?

Antonio Doss:

Well, the point you just made there about the K1 is an important one. A lot of that will show up in their federal tax returns, their K1s for example. We also realize that actually we're coming up pretty close here, two days from now and what normally is a nervous period for many people per tax paying time, which has been extended. So, we know that not all of the businesses are going to have their 2019 taxes done. We can work off of, if it's a partnership arrangement, in-house financial statements for the end of the fiscal year or calendar year that ended in December 31 '19. We can also even look at prior years if that's the most accurate information that's available. Again, we're trying to take reasonable assurance that what the borrower's providing us is true and accurate. They're attesting to that in the application process and the loan agreements.

Antonio Doss:

So, we're not slowing the system down so to speak, to spend a lot of time doing levels of due diligence to verify all these things the way we typically would, because we're trying to expeditiously move these dollars to the borrowers, and therefore to the employees who need the paychecks as well.

Jennifer Wexton:

Good. All right, we have a couple other questions that were submitted on Facebook Live. So let me go ahead and go through these. They'll be like a speed round because I know we're down to our last 10 minutes. Does the PPP loan have to be used by June 30th?

Antonio Doss:

Well, it depends on when you get the funds. So, it's eight weeks after funding. So, depending on how quick you get to the application or get the funds actually issued, that would be your timeframe.

Jennifer Wexton:

Okay. Unless and until we get the guidance changed so that we can go and be retroactive I guess in that.

Antonio Doss:

Yes.

Jennifer Wexton:

Is the \$1,000 in the EIDL grant per full time employees or does it include part time employees too?

Antonio Doss:

We have not specified that it does not include part time. So, our review of it right now is that includes full time and part time.

Jennifer Wexton:

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Okay, very good. Well that's good to know. We have a number of constituents who've applied for different programs in the hopes that one of them will actually respond. So, I have one business who applied for an EIDL on April 3rd and paycheck protection on April 10th, waiting to hear back from both. Will this person need to choose between them if they both come back with some funding or are you eligible to participate in more than one of these programs at any given time?

Antonio Doss:

Yeah, they can actually use both programs. The key is not using both programs for the exact same purposes. So, if you're a two person shop, you can't use both of those to pay your two employees for that same eight week period. However, the Economic Injury Disaster Loan or EIDL loans, those have a little bit more broad use in terms of some of the other working capital needs that don't necessarily apply as readily to the Paycheck Protection Program. Because under Paycheck Protection, most people are looking at that as, I'm going to get the money now use it the way they want me to use it, they, being the banks and the government, and then I'm going to have that loan forgiven. But there may be additional supplier related expenses or other things that are not so much personnel related to the EIDL loans, that have much more appropriate use for than what the Paycheck Protection Program is.

Jennifer Wexton:

So, they are able to participate in both, just the purposes for which certain relief is required, is going to be different depending on which program, but they don't have to choose between them?

Antonio Doss:

Yes, correct.

Jennifer Wexton:

Back to the EIDL \$10,000, you said that it just says employee right now, but is that a W2 employee? Does it include independent contractors who work primarily for your business?

Antonio Doss:

I think that would include... That's a question I haven't heard come up that way before. So, I'm on the fly on this one. But, I believe it would also include the 1099 if we're going to include the 1099 as part of their employee base for the Paycheck Protection Program, that it would seem to be consistent that we would do it in this case as well.

Jennifer Wexton:

Very good, okay. How long can we expect the turnaround to be on the EIDL loans applications after first contact from somebody? So, once they get that first contact saying, we got your application, it's being processed or whatever that contact is, how long would the turnaround be?

Antonio Doss:

We're still anticipating about three weeks. I threw a caveat here. As I said earlier, we significantly changed our approach to how we're underwriting these loans and how we're processing them. I know

last week was the first week we were really going to start making a bigger dent in terms of the backlog that was there. We've also of course upped our staffing and things in our Disaster Loan Center to help process more of these. So, hopefully this new approach will speed up the backlog clearing and then the next couple of days we'll start making a lot of headway there. Then shortly afterwards, maybe we can get less than a three week turnaround. But right now, that's the best information I have been informed is to expect about a three week turnaround.

Jennifer Wexton:

So, three weeks from SBA communicating that you got the application and are working on it to funding? Is that my understanding?

Antonio Doss:

To loan decision and funding may be a week to two weeks afterwards. More likely a week afterwards at this point. So, I would say roughly three to four weeks.

Jennifer Wexton:

From start to finish.

Antonio Doss:

From start to finish, right.

Jennifer Wexton:

We know we need to get you guys some more money so you can do all that funding for sure. Somebody asked, would someone on my staff please summarize any new information we are hearing from the director after this call so we can better understand what's going on. Yes, we will definitely do that. We will post it to the website and send out an email to everybody on this call who registered, if we have your email and as well as anybody else. Then, I've been asked to ask you to please explain the one page application.

Antonio Doss:

Oh yeah. The one page application really, it's asking for some pretty basic information. I'm going to just pull it right here. The nature of your business, are you a partnership, an S corporation, an LLC, who your business is, name, address, Tax Identification Number, social security number, contact information. Then the key pieces are, this is mostly the hard part here, what's your average monthly payroll? There's a calculation two and a half times that. That includes an element related to Economic Injury Disaster Loan if that's applicable. We set that as essentially your base loan amount, we also ask for the number of employees you have, and the purpose of the loan, and any applicant that's part of your company that owns 20% or more of the company.

Antonio Doss:

Then, we get into a series of questions that are things like are you presently suspended, debarred? Are you currently delinquent or have you defaulted on a loan and cost the government money? We've got

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some... There's only eight of those I think in total. There's some additional certifications on the backside of it, but it's really... I've been around for a little bit now, and I haven't seen anything quite this streamline or slim ever.

Jennifer Wexton:

Good. If they have questions about how to fill it out, can they get guidance from the SBA about that? Are there helpful links and things?

Antonio Doss:

Yeah, yes. [sba.gov](https://www.sba.gov) is the entry point for everything. But again, our resource partners, SCORE, Small Business Development Centers, SCORE's got offices across Northern Virginia, the Mason Enterprise Center is home to our SBDC in Northern Virginia, and actually headquarters for the whole state. Also over in Springfield, we've got our Women's Business Center and the Veterans Business Outreach Center are both there.

Jennifer Wexton:

Okay, very good. I know some of the local chambers also are able to provide some guidance or help point people in the right direction. Obviously in our office, we'll do what we can and as well. Well thank you Director Doss. This has been really, really informative. It's one o'clock on the dot, so I know that you have a lot of other calls and obligations for the rest of the day, but I do want to thank you for taking the time in this very busy time in our history and in the economy, to give us this information and for everything that you're doing to make sure that SBA is being as responsive as you can. It seems that we both have some action items now to work on after this, and hopefully we will get all these gaps and everything ironed out, and make sure that that money starts flowing in as quickly as possible to these businesses who really need it. But, I want to thank you so much for your time and for coming and joining us here today.

Antonio Doss:

Well, thank you. It's been my pleasure and I really appreciate you putting this on for the constituents, and to be able to help answer questions. Hopefully, I clarified some things. Again, if there's more information needed, we're happy to help.

Jennifer Wexton:

Wonderful. Thank you so much and keep in touch. Take care.

Antonio Doss:

Okay, thanks. Bye, bye.

Jennifer Wexton:

Stay safe. Bye.