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ECONOMY

SBA Under Fire for Failing to Get Aid to Struggling Small Businesses

Many businesses have applied for the emergency grants—and are still waiting for the money to arrive



A delivery worker on a street with closed stores in the Borough Park neighborhood of Brooklyn, N.Y., on Tuesday.

PHOTO: STEPHANIE KEITH/BLOOMBERG NEWS

By Amara Omeokwe and Yuka Hayashi

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WASHINGTON—A federal program to help small companies weather the coronavirus fallout has failed to distribute funds quickly, according to lawmakers, business advocates and entrepreneurs, many of whom are counting on the aid to survive.

Congress directed the Small Business Administration last month to provide grants of up to \$10,000 to businesses within three days of their application to the SBA's Economic Injury Disaster Loan program.

Since then, many businesses have applied for the emergency grants, according to small business advocates—and so far those applicants appear to be still waiting for the money.

“Based on our members’ feedback and our tracking, EIDL funds have yet to flow,” said Karen Kerrigan, chief executive of the Small Business & Entrepreneurship Council, an advocacy group. “It seems that one gut-punch is followed by another, and hopefully these funds will flow soon.”

SBA officials didn't respond to repeated requests for comment on the status of the grants.

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The \$10 billion grant program was signed into law on March 27 as part of Congress's \$2 trillion coronavirus relief package. The grants are administered directly by the SBA and are separate from the \$350 billion Paycheck Protection Program that guarantees (and is designed to forgive) loans by banks and other lenders to small businesses.

Congress is expected to add \$250 billion to the Paycheck Protection Program, but members are also concerned about the grant program.

In a letter to SBA Administrator Jovita Carranza on April 2, four U.S. senators asked whether agency staff could meet the legislatively mandated requirement to deliver funding within three days of a disaster loan application.

“I have heard far too many of my constituents in Maryland expressing frustration and confusion about the status of SBA's direct disaster loan and grant programs,” Sen. Ben Cardin, a Democratic signer said in a statement. “We know standing up a new grant program is an

enormous task for SBA, but its communication with small businesses must improve dramatically so that owners can make informed decisions.”

Adam Rammel, co-owner of the Brewfontaine restaurant in Bellefontaine, Ohio, said he originally applied for a disaster loan on March 20, and then reapplied about 10 days later, after the SBA released a new application. The updated form allows applicants to indicate they would like to receive a grant.

Mr. Rammel hasn't received word on the status of the grant or the loan itself. “Right now, it's just a waiting game,” he said. “We don't know when that money is going to hit.”

David Lee, who owns Blue Moon Construction in St. Petersburg, Fla., said he applied for the disaster loan program on March 30 but hasn't received any communication from the SBA since.

“That \$10,000 dollars is a really big deal to us,” Mr. Lee said. His land-clearing company employs him and one other worker, and Mr. Lee estimated the grant would help keep the business afloat until mid-June.

Business applicants say they have also been confused by changing statements from the SBA on when money will be available and the amount.

Over the past week, the SBA has repeatedly changed the time frame for the payment of a loan advance—from three days and “within days” to “a week to 10 days,” according to its website and regional offices' webinars.

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How the agency will determine the grant amount a business should receive also remains unclear. The disaster loan application form allows applicants to seek consideration for a grant but doesn't provide a means to request a specific amount. The relief package legislation didn't specify how the SBA should calculate the amount of each grant, leaving some businesses hoping they would receive a full \$10,000.

However, SBA regional officials have said in recent days the amount would depend on the size of the business's operating expenses. A document posted as of Monday evening on its Massachusetts district office's website indicated the amount would be \$1,000 per employee up to a maximum of \$10,000.

“I guess at this point, we’re all just looking for a little bit of clarity and guidance from the SBA themselves,” said Shawn Short, owner at Aspen Valley Group, a Denver-based retailer of cannabidiol and hemp products.


The delay comes as the SBA, a small agency with 4,000 employees, faces an abrupt and steep increase in its workload. Before this year, the SBA on average issued about \$2 billion in disaster loans annually, an SBA official said last month.

To handle the large volume of disaster loan applications, the agency has hired an outside mortgage company to help process 2,000 loan applications a minute, Ili Spahiu, a Massachusetts district official, said on a webinar Tuesday.



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The SBA has also hired 7,000 agents to answer calls from business owners, shortening the wait time significantly, he said.

The government says grants provided to applicants for coronavirus-related disaster loans don't have to be repaid and are provided to eligible businesses even if they are ultimately rejected for the disaster loans themselves.

The loans are generally open to businesses and nonprofits with fewer than 500 employees. Prospective borrowers can apply for up to \$2 million dollars in loan funds, and the loans carry a 3.75% interest rate for businesses and a 2.75% rate for nonprofits.

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