

FACT SHEET: Biden-Harris Administration Increases Lending to Small Businesses in Need, Announces Changes to PPP to Further Promote Equitable Access to Relief

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Small businesses account for 44 percent [↗](#) of U.S. GDP, create two-thirds of net new jobs, and employ nearly half of America's workers. Now, millions of main street small businesses – especially Black- and Brown-owned small businesses – are struggling to make ends meet in the wake of the COVID-19 pandemic and resulting economic crisis.

The Biden-Harris administration has made delivering equitable relief to hard-hit small businesses a top priority. The latest round of Paycheck Protection Program (PPP) funding opened just one month ago and it represents a marked improvement [↗](#) on the prior round of the Program last year. Compared to the same point in the Program last year:

- The share of funding going to small businesses with fewer than ten employees is **up nearly 60 percent**
- The share of funding going to small businesses in rural areas is **up nearly 30 percent**
- The share of funding distributed through Community Development Financial Institutions and Minority Depository Institutions is **up more than 40 percent**

The Biden-Harris administration is announcing several reforms to build on this success by further targeting the PPP to the smallest businesses and those that have been left behind in previous relief efforts. While these efforts are no substitute for passage of the American Rescue Plan, they will extend much-needed resources to help small businesses survive, reopen, and rebuild. Specifically, the Biden-Harris administration will:

- **Institute a 14-day period, starting Wednesday, during which only businesses with fewer than 20 employees can apply for relief through the Program.** 98 percent of small businesses have fewer than 20 employees. They are Main Street businesses that anchor our neighborhoods and help families build wealth. And while the Biden-Harris administration has directed significantly more relief to these smallest businesses in this round of PPP than in the prior round, these businesses often struggle more than larger businesses to collect the necessary paperwork and secure relief from a lender. The 14-day exclusive application period will allow lenders to focus on serving these smallest businesses. The Biden-Harris administration will also make a sustained effort to work with lenders and small business owners to ensure small businesses take maximum advantage of this two-week window.
- **Help sole proprietors, independent contractors, and self-employed individuals receive more financial support.** These types of businesses, which include home repair contractors, beauticians, and small independent retailers, make up a significant majority of all businesses. Of these businesses, those without employees are 70 percent [↗](#) owned by women and people of color. Yet many are structurally excluded from the PPP or were approved for as little as \$1 because of how PPP loans are calculated. **To address this problem, the Biden-Harris administration will revise the loan calculation formula for these applicants so that it offers more relief,** and establish a \$1 billion set aside for businesses in this category without employees located in low- and moderate-income (LMI) areas.
- **Consistent with a bipartisan bill, eliminate an exclusionary restriction that prevents small business owners with prior non-fraud felony convictions from obtaining relief through the Paycheck Protection Program.** Currently, a business is ineligible for PPP if it is at least 20 percent owned by an individual who has either: (1) an arrest or conviction for a felony related to financial assistance fraud within the previous five years; or (2) any other felony within the previous year. To expand access to PPP, the Biden-Harris administration will adopt bipartisan reforms included in the PPP Second Chance Act, co-sponsored by Senators Ben Cardin (D-MD), Rob Portman (R-OH), Cory Booker (D-NJ), and James Lankford (R-OK), which would eliminate the second restriction (the one-year look-back) unless the applicant or owner is incarcerated at the time of the application.

- **Eliminate an exclusionary restriction that prevents small business owners who are delinquent on their federal student loans from obtaining relief through the Paycheck Protection Program.** Currently, the PPP is not available to any business with at least 20 percent ownership by an individual who is currently delinquent or has defaulted within the last seven years on a federal debt, including a student loan. Millions of Americans are delinquent on student loans, including a disproportionate number of Black borrowers. Working with the Departments of the Treasury and Education, the SBA will remove the student loan delinquency restriction to broaden access to the PPP.
- **Ensure access for non-citizen small business owners who are lawful U.S. residents by clarifying that they may use Individual Taxpayer Identification Numbers (ITINs) to apply for relief.** The PPP statute is clear that all lawful U.S. residents may access the program, but a lack of guidance from the SBA has created inconsistency in access for ITIN holders like Green Card holders or those here on a visa. The SBA will address this unfair inconsistency by issuing clear guidance in the coming days that otherwise eligible applicants cannot be denied access to the PPP because they use ITINs to pay their taxes.

In addition to these five changes, the Biden-Harris administration has taken – and will continue to take – steps to ensure equitable distribution of relief that values each and every taxpayer dollar. These steps include:

- **Addressing waste, fraud, and abuse across all federal programs.** Unlike the previous round of the PPP, loan guaranty approval is now contingent on passing SBA fraud checks, Treasury’s Do Not Pay database, and public records. The SBA now also conducts manual loan reviews for the largest loans in the PPP portfolio and a random sampling of other loans. The SBA has worked, and will continue to work, with its lender partners to create streamlined processes to resolve issues as quickly as possible, while still ensuring taxpayer dollars are spent wisely.
- **Promoting transparency and accountability by improving the PPP loan application.** To encourage self-reporting of demographic data and better illustrate the impact the PPP is having across various population segments, the Biden-Harris administration has revamped the PPP application.
- **Improving the Emergency Relief Digital Front Door.** The Biden-Harris administration is working to update key areas of SBA websites to

help more applicants find resources for understanding relief options and completing applications.

- **Continuing to conduct extensive stakeholder outreach to learn more about challenges and opportunities in the implementation of current emergency relief programs.** The President has spoken with several small businesses owners in recent weeks to understand their concerns about relief program. And as part of the Administration's efforts to support America's small businesses, especially those in LMI communities, the Vice President spoke last week with the CEOs of major banks, to highlight the critical period ahead, the vital role that lenders have to play during this time, and the Administration's focus on PPP lending to underserved small businesses. In recent weeks, the Vice President has also met virtually with small business owners and Black Chambers of Commerce to discuss the challenges that small businesses face right now, and how passing the American Rescue Plan will provide critical relief during a difficult period. At all levels and across agencies, the administration will continue to engage with communities to inform the design and delivery of vital programs that meet their needs.
- **Enhancing the current lender engagement model.** As part of the Biden-Harris Administration's commitment to further improve access to capital for small businesses, the SBA is launching a new initiative to deepen its relationships with lenders. This model will increase opportunity for lenders to provide recommendations and ask questions about the PPP and drive resolution of open questions and concerns in a more streamlined way.

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