

September 26, 2022

The Honorable Isabella Casillas Guzman
Administrator
U.S. Small Business Administration
409 3rd St, SW
Washington, DC 20024

Dear Administrator Guzman:

On behalf of America's restaurants, thank you for your leadership on the COVID-19 Economic Injury Disaster Loan (EIDL) program, which has helped tens of thousands of restaurants weather the devastating economic impact of the pandemic.

But at the end of the day, EIDL represents a temporary life-raft rather than a bridge to normal operations. Restaurants struggling with economic and operational uncertainty are now starting to receive SBA repayment notices that are higher than expected following the automatic 30-month deferment period. A 3.8% interest rate means that a \$100,000 loan has accrued almost \$10,000 on top of the initial amount.

Almost half of restaurants utilized EIDL during the pandemic, according to a recent survey, but less than 1 in 4 restaurant operators say they will be able to make scheduled principal and interest payments. Loan delinquency and default are major concerns across the industry.

Restaurants need EIDL relief options. Most of them took on this new debt on terms that originated in March 2020, at a time when the industry believed the shutdowns and service limitations imposed on them would last for weeks, not the next 18 months.

Many restaurants are still struggling with economic hardship. For those restaurants, there are ways the Small Business Administration can provide real relief as they identify how they will keep their doors open as EIDL loan payments become due. We urge you to take these steps:

- 1) Eliminate the EIDL accrued interest debt that was incurred during the 30-month deferral period, as deferment was a necessity – not an option – for most restaurant borrowers.
- 2) Lower interest rates from 3.75% to 1% for the duration of the loan to align the COVID-19 EIDL rate with the loan rate established by the Paycheck Protection Program (PPP).

- 3) Create “good borrower” relief for hard hit industries including restaurants, encouraging borrowers to establish a repayment plan and make required payments for 10-years with an SBA commitment to eliminate the remaining 20 years of EIDL obligation. This both encourages EIDL repayment and saves the SBA from two decades of loan servicing.

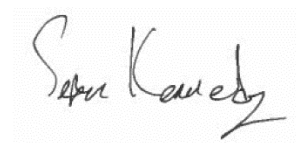
Nine in 10 restaurants are small businesses, uniquely vulnerable to economic headwinds. As the nation’s supply chain has become more unstable and consumer spending fears have seeped into the economic climate, the industry is once again on unstable ground. Inflation continues to eat away at the average restaurant’s already small margins. Even if a restaurant’s current sales recovered to its 2019 pre-pandemic levels, its additional costs would turn a 5% profit margin into a 12.3% loss.

As you know all too well, 90,000 restaurants closed due to COVID-19. Many of the restaurants still open today – particularly the 177,000 that were unable to receive a Restaurant Revitalization Fund grant – face an uncertain future. An inflexible EIDL repayment process will likely trigger a second wave of closures. Restaurants, their employees, their customers and the communities served will be forever changed if these small businesses begin to fail.

SBA administered and improved PPP with flexible terms and conditions. We believe the same improvements could be realized in the EIDL program by eliminating accrued interest debt, lowering interest rates, and creating a good borrower incentive for hard hit industries.

The National Restaurant Association looks forward to working with you and your staff on these relief options, and we thank you for leadership on this issue.

Sincerely,



Sean Kennedy
Executive Vice President for Public Affairs