



June 10, 2020

Dear Chairwoman Velazquez and Ranking Member Chabot:

On behalf of the 20,000 members of the Asian American Hotel Owners Association (AAHOA), I would like to thank you for your leadership in protecting America's small businesses and their employees during this time of crisis.

AAHOA members are small business owners who own nearly 50% of all hotel properties in the United States. As travel has halted to help flatten the curve on the coronavirus outbreak, hoteliers and their employees in every market and in every segment have suffered at an unprecedented rate. At a time when occupancy rates ought to be on the rise with seasonal and business travel, and large public events, hoteliers are instead wrestling with the excruciating decision on whether to keep their businesses open. Each day, the forecast seems more dire. Without guests to serve, rooms to clean, shuttles to drive, or meals to prepare, hoteliers are left without working capital to make payroll or meet their mortgage obligations.

The CARES Act was a strong start to helping small businesses to retain the employees critical to the success of each business. During the discussions of the CARES Act, we learned that the Paycheck Protection Program (PPP) was designed to emphasize payroll over other costs and other SBA offerings like the Economic Injury Disaster Loan (EIDL) program would serve to cover operating expenses.

Hoteliers around the country depended on and applied for PPP and EIDL loans to keep their businesses running, as the necessary travel restrictions have eliminated nearly all income for each property around the country. Unfortunately, relief has been difficult to come by for these small business owners.

The EIDL program, while an extremely promising avenue during this crisis, has frustrated hoteliers in how it has been executed. Lodging is the signal industry of this economic crisis. It was the first to fall upon implementation of travel restrictions and it will be the last to return once the economy reopens. Most forecasts indicate lodging revenues will not return to pre-COVID levels for years. Hotel occupancy remains at historic lows, layoffs and furloughs are at historic highs, and there is no remedy in sight. Hoteliers have no steady access to income or programs that will provide critical liquidity. PPP was designed to work in tandem with EIDL to relieve payroll and operating cost pressures respectively – particularly, for businesses and employees hardest hit during this economic crisis. These loans are critical to ensuring hoteliers can meet debt service, tax, insurance, utilities, and other obligations to enable their businesses to survive.

We recognize how successful this program has been given the circumstances. The volume alone must be significant and we know the SBA is working harder than ever. However, this program remains out of reach for many small businesses.

Many hoteliers continue to report significant delays in receiving any meaningful information from SBA after they have applied for EIDL. Our members routinely see six to eight weeks pass without hearing anything, even after multiple attempts to follow up. This uncertainty could be the difference between whether a business remains open or closes permanently.

Additionally, since April 15, the SBA has not accepted applications from most small businesses. We appreciate the challenges associated with the high volume of applications and the necessity to ensure agricultural businesses may have access to EIDL funds. However, it remains a source of considerable frustration that there has been no announcement as to when the farm-only loan window will close, or when other small businesses may begin to apply.

Further, The SBA created a cap of \$150,000 from an authorized \$2 million per loan. For many highly leveraged businesses needing to meet mortgage and interest obligations on real estate, this cap creates a significant challenge. Hoteliers who have managed to receive these loans have either already exhausted the funds, or are simply hoping their banks will enable them to further delay payments – which will ultimately come due with no means to repay them.

Finally, one of the particularly positive aspects of the PPP is the waiver of the SBA's affiliation rules associated with approval for the funds. The waiver enables hoteliers who own multiple properties to keep their employees employed at each location. Unfortunately, that waiver was not extended to the EIDL program and hoteliers are being told they must choose which properties to save and which must close their doors permanently. These rules were never intended to restrict access to funds in a crisis and that is exactly how they have been implemented. We urge your support in applying the affiliation rules consistently between the PPP and EIDL programs in the next economic stimulus package.

Hoteliers' businesses are on the brink of ruin, not through poor decisions or unscrupulous actions, but because of limitations on travel to ensure the virus does not spread. The next few weeks will be critical in determining whether many of these small businesses survive. We urge your support for America's hotel owners through this unprecedented crisis.

Sincerely,

Cecil P. Staton
President & CEO
AAHOA