

Congress of the United States
Washington, DC 20515

April 7, 2020

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
403 3rd Street, SW
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

As you know, the Paycheck Protection Program (PPP) is designed to provide a much-needed lifeline to small businesses that are struggling to keep their doors open and keep their employees on the payroll. Thus, we applaud the intent of the Small Business Administration (SBA) and the Treasury Department to implement the PPP as soon as possible.

But the roll out of the PPP last Friday has resulted in mixed results. While some financial institutions are successfully able to partially process PPP loans, especially among those larger banks that had been previous SBA 7(a) lenders, a great many other banks' efforts to do the same were frustrated by various glitches in the process. Smaller lenders, including those that have previously issued SBA loans, have encountered their own set of difficulties getting the appropriate guidance from the SBA needed for implementation of this new program.

We know that the Treasury Department and the SBA are working extremely hard to remediate these "glitches" in the program as soon as possible. But we are writing you today to point out how the inability of small community banks to access the PPP will in very short order have seriously devastating consequences for not only the small community banks themselves, but also the small businesses that could be denied a vital loan as a result. Therefore, we are asking for additional action on your part that we believe will forestall these consequences.

These small community banks serve rural, distressed, and traditionally underserved parts of the country, and have developed long-standing, hard-earned business relationships with small businesses and individuals in their communities. The longer these banks are unable to access the PPP for their preexisting, bedrock small business customers, the more likely these financially stressed small businesses are to go to another bank to obtain their PPP loan. Thus, through no real fault of their own, many of these community banks stand to lose business in the short term, which in some cases will become long term losses as these small businesses decide to continue their relationship with their "new" bank.

Additionally, some small businesses, even those in fairly serious need of a PPP loan, will no doubt try to remain loyal for at least a short while to their current community bank with which they enjoy a long term, mutually beneficial business relationship, to give the bank time to work through the difficulties it has experienced accessing the PPP. However, early reports have indicated that in the short time the PPP has been active, loan applications have already been submitted for a sizeable portion of the \$349 billion Congress has currently made available for the program. Further, these applications appear to have primarily come from the largest financial institutions.

The longer these community banks are denied access to PPP loans, the greater the likelihood that the initial dollar allocation to the PPP will be greatly drawn down, if not depleted, before these banks are

able to make PPP loans to large numbers of small businesses, which in turn could result in the loss of huge numbers of jobs as these small businesses are collectively forced to close their doors.

We ask that the SBA and the Treasury Department designate a meaningful portion of the initial \$349 billion allocation exclusively for institutions that have not previously been 7(a) lenders, as well as smaller lenders. This will ensure that resources remain available for small businesses in communities and markets that are not primarily served by large institutions, thereby bolstering Congress's intent to get the PPP to as many small businesses as possible for the duration of the COVID-19 public health emergency.

As Members of Congress, we stand ready to work on legislation that will grow the PPP if necessary. However, community banks, the small businesses they serve, and the people employed by those small businesses, will be much better off if they don't have to wait for a second round of guidance, onboarding, and funding. Therefore, we strongly urge the SBA and Treasury, within their authorities, rules, and regulations, to take administrative action now to ensure smaller stakeholders are not neglected.

We appreciate your serious consideration and look forward to working with you on this matter.

Sincerely,



John Rose
Member of Congress



Van Taylor
Member of Congress



Alex X. Mooney
Member of Congress