

Congress of the United States
Washington, D.C. 20515

April 16, 2020

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street SW
Washington, DC 20416

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20510

Dear Administrator Carranza and Secretary Mnuchin:

We write to urge immediate action that ensures fair and equitable administration of the Paycheck Protection Program (PPP) by participating lending institutions.

Congress established PPP to ensure that small businesses and nonprofits could secure the financing they need to survive mandated closures and business reductions resulting from the COVID-19 pandemic without laying off their employees. The successful and effective administration of this program is critical for the millions of impacted business owners and their workers. In the last two weeks of March, the U.S. saw nearly 10 million workers file unemployment insurance claims, an unprecedented number.¹ At least 54% of small businesses in the country have either closed or expect to close within weeks,² and public health experts and economists warn that the country is “nowhere close” to reopening.³

The CARES Act (P.L. 116-136) specified that all current SBA certified 7(a) lenders are automatically qualified to participate in PPP may process and approve applications under delegated authority. It also authorized the SBA Administrator and Treasury Secretary to extend participation to additional lenders to meet the extreme need for assistance in the small business community. SBA and the Treasury Department exercised that authority by extending participation to all federally insured depository institutions, federally insured credit unions, and Farm Credit System institutions. In doing so, SBA and Treasury assumed responsibility for setting rules and regulations to ensure that these lending institutions would administer PPP loans equitably and fairly.

SBA’s Interim Final Rule [Docket No. SBA-2020-0015], however, does not prevent lenders from setting unreasonable, exclusionary, and inequitable conditions on applicants. The nation’s largest banks, including Bank of America, JPMorgan Chase, and Wells Fargo, all engaged in this behavior, announcing they would be accepting applications only from customers with a pre-

¹ <https://www.dol.gov/ui/data.pdf>

² <https://www.uschamber.com/report/special-report-coronavirus-and-small-business>

³ <https://www.nytimes.com/2020/04/06/business/economy/coronavirus-economy.html>

existing business lending relationships or business checking accounts.⁴ Wells Fargo announced on April 6, one business day after the program's launch, that it would not accept any more PPP applications.⁵

Allowing participating lenders to categorically exclude the majority of small businesses and nonprofits from submitting PPP applications has created an environment in which the most powerful banks pick and choose only the largest and most attractive borrowers. As we have all observed, this practice has overwhelmed smaller banks, participating CDFIs and other lenders with the remaining applications, leaving countless small business owners without options for submitting a PPP application and accessing the assistance Congress sought to provide.

It is important to recognize that PPP loan products are favorable for lenders. The federal government assumes all risk and holds lenders harmless in the approval process. In exchange, SBA and Treasury must ensure that participating lenders are maximizing borrower access to PPP loans, rather than restricting PPP loans to businesses who represent significant potential losses for the bank, or on which the bank will earn the highest profits. Our nation's small businesses are suffering, and it was Congressional intent in creating the PPP that they have the necessary resources to withstand this economic disruption.

We urge SBA and Treasury to immediately issue rules requiring PPP lenders treat all applications equally by forbidding the imposition of any application restrictions not specified by Congress or the Administration.

Sincerely,

Judy Chu
Chairwoman
Subcommittee on Investigations,
Oversight and Regulations
Committee on Small Business
U.S. House of Representatives

Nydia M. Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives

⁴ <https://www.nytimes.com/2020/04/03/business/sba-loans-coronavirus.html>

⁵ <https://www.cbsnews.com/news/paycheck-protection-program-wells-fargo-small-business/>

/s/
Raja Krishnamoorthi
Member of Congress

/s/
Greg Stanton
Member of Congress

/s/
Jan Schakowsky
Member of Congress

/s/
Lizzie Fletcher
Member of Congress

/s/
Adam Schiff
Member of Congress

/s/
Darren Soto
Member of Congress

/s/
Peter A. DeFazio
Member of Congress

/s/
Eleanor Holmes Norton
Member of Congress

/s/
Rosa L. DeLauro
Member of Congress

/s/
Barbara Lee
Member of Congress

/s/
Joyce Beatty
Member of Congress

/s/
Sanford D. Bishop, Jr.
Member of Congress

/s/
Jamie Raskin
Member of Congress

/s/
Adam Smith
Member of Congress

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Angie Craig
Member of Congress

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Abigail D. Spanberger
Member of Congress

/s/
Grace F. Napolitano
Member of Congress

/s/
Jackie Speier
Member of Congress

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Mike Levin
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Lucille Roybal-Allard
Member of Congress

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Gilbert R. Cisneros, Jr.
Member of Congress

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Jerrold Nadler
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Yvette D. Clarke
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Andy Levin
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Elaine G. Luria
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Katie Porter
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Rashida Tlaib
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Grace Meng
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Ben Ray Luján
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André Carson
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Matthew Cartwright
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Paul Tonko
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Danny K. Davis
Member of Congress