

October 19, 2020

The Honorable Marco Rubio
Chairman
Committee on Small Business
and Entrepreneurship
U.S. Senate
Washington, D.C. 20510

The Honorable Benjamin L. Cardin
Ranking Member
Committee on Small Business
and Entrepreneurship
U.S. Senate
Washington, D.C. 20510

The Honorable Nydia M. Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Steve Chabot
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Rubio, Ranking Member Cardin, Chairwoman Velázquez and Ranking Member Chabot:

On behalf of the undersigned trade associations and the thousands of institutions and small businesses we represent, thank you for creating the Paycheck Protection Program (PPP), which has been a lifeline to millions of American small businesses and saved tens of millions of jobs in communities across the country. To fulfill the potential of the program, we urge policymakers to immediately fix a problem that has reduced the value of loan forgiveness many PPP borrowers had counted on to meet payroll and other critical expenses.

The U.S. Small Business Administration (SBA) Economic Injury Disaster Loan Advances (EIDL Advances) were provided directly by the SBA to nearly one million small businesses, without the intermediation of lenders, as emergency grants to help these businesses survive a sudden and unexpected revenue shock. Many EIDL Advance recipients also applied for PPP loans, but at the time PPP applications were being processed, lenders did not know whether an applicant had received an EIDL Advance or would receive one in the future. The PPP and EIDL programs are operated independently by separate offices within SBA.

What's worse, small business PPP recipients that accepted EIDL Advances relied on SBA guidance issued in April that indicated that the advances would be treated as grants. Later, the SBA reversed its guidance to provide that the forgiven amount of PPP loans must be reduced by the amount of a borrower's EIDL Advance, effectively transforming a significant portion of a grant into a loan, or wiping out PPP loan forgiveness altogether. Whether intentionally or as a result of confusing communications, PPP borrowers were misled and are only now beginning to discover the truth of their situation. Even today, many borrowers remain unaware of the debt burden they will soon face. Lenders we represent are seeing firsthand the spreading awareness, shock and resentment among borrowers who believe they were deceived about the nature of the

EIDL Advance. We do not believe it was the intent of Congress to effectively trap one million vulnerable small businesses with unexpected debt.

PPP lenders did not consent to having EIDL Advances, which they did not underwrite, shifted onto their balance sheets, tying up capital needed to serve communities during this unprecedented period. These lenders stepped up to make PPP loans because they wanted to help small businesses, and now they are effectively being discouraged from participating in any future PPP program.

The EIDL Advance debt trap could not come at a worse time. We urge you to take all necessary measures to provide relief for affected small businesses and PPP lenders in conjunction with releasing unallocated PPP funds to create additional small business credit. At a minimum, SBA should immediately stop the transfer of any residual EIDL Advance balances to PPP lender balance sheets and return them to the SBA Office of Disaster Assistance, which administers the EIDL program.

Congress and the SBA must find a solution that will fully restore PPP forgiveness and help our nation's small businesses.

Thank you for your consideration.

Sincerely,

American Bankers Association
Community Development Bankers Association
Consumer Bankers Association
Credit Union National Association
Independent Community Bankers of America
Mid-Size Bank Coalition of America
National Association of Federally-Insured Credit Unions
National Federation of Independent Businesses

CC: Senate Majority Leader Mitch McConnell
Senate Minority Leader Charles E. Schumer
House Speaker Nancy Pelosi
House Minority Leader Kevin McCarthy
Treasury Secretary Steven Mnuchin
SBA Administrator Jovita Carranza