

January 25, 2021

The Honorable Andy Baukol
Acting Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Ms. Tami Perriello
Acting Administrator
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, DC 20416

Dear Acting Secretary Baukol and Acting Administrator Perriello:

Thank you for your continued work on the Paycheck Protection Program (PPP), which has helped millions of small businesses to remain open, maintain payroll, and make adjustments to operate safely during the global pandemic. Banks of all sizes have played a significant role in executing this program to date and are eager to continue to partner with the Biden Administration to ensure the current round of funding for first draw and second draw PPP loans is effectively and equitably administered to small businesses across the country.

We are writing to make you aware of some significant issues that are preventing the program from fully supporting small businesses in need. Since the PPP application process re-opened on January 11, 2021, the ABA and our member banks have identified specific problems that are impairing the ability of some banks to make loans [under the program] in their communities. We have detailed those problems that we believe are systemic and require the immediate attention of your agencies to ensure struggling small businesses can access this important federal lifeline:

1. The PPP portal does not appear to permit a lender to upload a borrower's application for a second draw PPP loan if the borrower submitted an application for forgiveness of their first draw PPP loan and that forgiveness application is pending with SBA. However, the Interim Final Rule on Second Draw Loans appears to allow borrowers to apply for a loan if they can certify that they have spent or intend to spend all First Draw Loan funds by the time they receive a second draw loan. This guidance does not mention outstanding forgiveness as a reason to delay the approval of a Second Draw Loan. This technical error is leading SBA not to approve a significant number of Second Draw Loans. We urge SBA to fix this technical error and permit a lender to upload a borrower's second draw PPP loan application irrespective of the status of the borrower's First Draw Loan forgiveness application.
2. More broadly, lenders are receiving a high number of incorrect error messages when the lender attempts to submit PPP loan applications through the portal. Error messages that banks have received may state incorrect limitations on Second Draw Loan amounts or that a borrower's First Draw Loan is under review when in fact the loan is not under review. Additionally, attempts to get clarification by lenders via the portal's messaging system have been met with silence. Clear and precise guidance about the restrictions on loan sizes, such as why a \$30,000 per employee loan cap has been implemented, will allow for a more efficient loan origination process. While we understand the volume of messages may be increasing, we urge SBA to address this and other technical issues in a timely manner.

3. Another issue relates to the documentation requirements to show a 25% revenue reduction for second draw loans. Early last week, your agencies released helpful FAQs and provided examples of what information would satisfy these requirements. However, many banks had completed borrower applications prior to the release of these FAQs based upon the guidance that existed at the time. We ask that you please clarify that borrowers and lenders are able to rely on the guidance at the time the loan application is received by the lender, thereby saving small businesses countless of hours of re-doing applications for Second Draw Loans.

Thank you for your continued work on PPP to ensure this aid reaches those small businesses and non-profits desperately in need of economic relief. Banks of all sizes stand ready to continue to work with you to achieve this goal.

Sincerely,

A handwritten signature in black ink that reads "ROB NIENOW". The letters are bold and slightly slanted, with a stylized flourish at the end of the word "Nienow".

cc: The Honorable Nydia Velazquez
The Honorable Blaine Luetkemeyer
The Honorable Ben Cardin
The Honorable Marco Rubio