

United States Senate

WASHINGTON, DC 20510

COMMITTEES:
APPROPRIATIONS
COMMERCE
HEALTH, EDUCATION,
LABOR, AND PENSIONS

April 9, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue Northwest
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street Southwest
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

I write to you today about concerns I have heard from lenders and small businesses in Wisconsin regarding the Small Business Administration's implementation of the Paycheck Protection Program. I am proud that the Coronavirus Aid, Relief, and Economic Security (CARES) Act includes reforms included in legislation I authored (S. 3541) to provide small businesses with loan forgiveness if they keep employees on their payroll. Wisconsin small businesses and non-profits need help meeting their payroll and covering other operating expenses and PPP is uniquely suited to achieve those goals by allowing banks to leverage their expertise and offer SBA-guaranteed loans to their customers. However, I've heard from lenders in Wisconsin that are frustrated and confused with the rollout of this program and unable to make loans. I have also heard from small businesses that can't access loans. I ask you to immediately take action to ensure banks can swiftly provide these loans and help rescue Wisconsin small businesses and non-profits.

Numerous banks in Wisconsin have reported difficulty accessing the SBA's E-Tran system and those banks that have been able to access it report technical issues with the website. I urge you to work to provide additional technical capability and support. Technical issues with SBA's systems threaten to harm small businesses and non-profits that desperately need financial support in a timely manner. I have further heard from lenders that in completing the loan application process, confusion remains regarding questions of loan documentation and calculating payroll costs. I urge you to work with lenders to provide clear, unambiguous guidance on these questions. If the banks charged with making loans to small businesses and non-profits can't make loans, small businesses and non-profits will not get the aid they desperately need.

I have heard concerns from businesses that can't access loans because they didn't have an existing relationship with an SBA-approved bank. For example, Norske Nook, an iconic pie shop with locations in Osseo, Rice Lake, Hayward and DeForest Wisconsin, went to their local bank to apply for a Paycheck Protection Program loan. Because their local bank is not an SBA preferred lender, they have not been able to access a loan yet. Norske Nook then went to an

SBA preferred lender but was unable to access a loan in a timely manner because they didn't have an existing relationship with the bank. The SBA needs to make immediate changes to allow companies like Norske Nook to receive this critical aid provided by Congress.

Additionally, last week, the U.S. Treasury issued guidance that in order for loans to be forgiven by the Paycheck Protection Program, 75 percent of the loan must cover payroll costs. I'm concerned that this rule, which was not in the text of the CARES Act, prevents small businesses with high overhead costs from accessing the program and keeping their workers employed. Scott Brown, a small business owner who operates two Cold Stone Creamery locations in Appleton, Wisconsin, told me that he is concerned that without flexibility to spend more of the loan on rent and other fixed costs, the businesses may not survive. I urge you to change the PPP's rules to allow small businesses to spend a greater amount of their loan on fixed costs. Without this change, I fear that we will see a wave of small business closures and bankruptcies.

I thank you for your attention to this matter and please let me or my office know if we can be of further assistance.

Sincerely,

A handwritten signature in blue ink that reads "Tammy Baldwin". The signature is written in a cursive style with a large initial "T".

Tammy Baldwin
United States Senator