

# United States Senate

WASHINGTON, DC 20510

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

April 17, 2020

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Chuck E. Schumer  
Minority Leader  
United States Senate  
Washington, DC 20510

The Honorable Steven Mnuchin  
Secretary  
Department of the Treasury  
1500 Pennsylvania Ave., N.W.  
Washington, D.C. 20220

Dear Majority Leader McConnell, Minority Leader Schumer and Secretary Mnuchin:

I write to you today regarding the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program. These programs are a crucial part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and without their success our chance for a speedy recovery drops significantly. I commend you on your leadership in getting them passed in to law.

The Paycheck Protection Program holds enormous promise because it helps employers and employees as it allows loans to be totally forgiven if a business keeps employees on their payroll. I pushed for the inclusion of forgivable loans during consideration of the CARES Act and this was an important addition to the legislation. However, as of this writing, the program is suspended due to a lack of funds after two weeks of very high demand. In addition, many businesses in Wisconsin have expressed deep concerns with the implementation of the program and the limits on eligibility—both of which much be addressed swiftly. As Congress and the Trump Administration negotiate COVID-19 legislation, I request that you immediately agree to include robust funding and make reforms to the program to ensure that small businesses in Wisconsin can easily access the funding they desperately need. Below are the most common concerns that I have heard from small businesses in Wisconsin that I believe should be addressed in COVID-19 response legislation in addition to boosting funding for the program.

### **Loans must be tailored to the small business need**

The PPP caps loans at 2.5 times the small business' average monthly payroll costs. The SBA rule restricted the forgiveness of the loan by limiting its use for rent, utility, or mortgage costs to no more than 25 percent of the total loan. The "75/25" rule makes the PPP inaccessible for many small businesses, particularly those in urban areas where rent costs are higher and stay-at-home orders are more likely, like restaurants, bars, coffee shops, and gyms. We should remove the 75/25 and 2.5 restrictions and base loan sizes on estimated monthly fixed costs to accommodate businesses with different cost structures, while ensuring that workers are kept on payroll.

### **Forgiveness must extend beyond eight week period**

The PPP restricts loan forgiveness to costs incurred in the eight week period after the loan is disbursed. Many businesses will be required to remain closed far longer than eight weeks. Those that are able to re-open will likely have fewer customers. We should eliminate the eight week limit and transition to rolling monthly loan forgiveness for businesses that are forced to close by a stay-at-home order or suffering significant revenue losses. We can use post-hoc auditing and enforcement to ensure that businesses without revenue losses can't push out hard hit businesses.

### **Banks must lend to new customers and those in underserved communities**

Many minority-owned businesses and very small businesses have complained of being unable to access the PPP because participating banks limited loan applications to customers with whom the bank already had a lending relationship. By dedicating PPP funding to small community-based institutions like CDFIs and banks and credit unions with under \$10 billion in assets, the program can better direct loans to underserved communities. Additionally, lenders should be reassured that lending to new customers is safe, provided they meet basic know-your-customer rules. The SBA has guaranteed the loans and new banking [regulations](#) make clear that the PPP loans won't count against banks' regulatory capital ratios.

### **Appropriations for the PPP must provide certainty**

The PPP ran out of its \$349 billion appropriation in under two weeks and now businesses are unable to access the program and wonder if it will be renewed. As stay-at-home orders are extended nationwide, demand for the PPP will remain strong. Faith in the PPP is so crucial to economic recovery that it should not be subjected to monthly partisan fights. Extending funding for the PPP until the economy recovers would allow businesses to commit to keeping their staff paid and the business expenses paid throughout the crisis.

### **The \$1,000 per employee cap on EIDL funding must be eliminated**

The SBA instituted a \$1,000 per employee cap on loans made under the Economic Injury Disaster Loan program. We should replenish funding for the EIDL program and eliminate the cap to allow businesses to be eligible for the maximum \$10,000 award originally intended under the CARES Act.

Addressing these problems with the PPP and EIDL are necessary to ensure that businesses will re-open with minimal disruption when it is safe to do so. If we allow the economy to spiral from businesses laying off workers, defaulting on their payments, and going bankrupt, the recovery will be much slower and more painful. Even if businesses are able to open after the crisis, they could fail because they don't have any customers if everyone has been laid off. By ensuring that workers are kept on payroll, we can guarantee that businesses will have customers ready to buy their products when the economy is open again.

Sincerely,



Tammy Baldwin  
United States Senator