

June 2, 2020

Dear Leader McConnell, Leader Schumer, Chairman Crapo, Ranking Member Brown, Chairman Rubio and Ranking Member Cardin:

We appreciate your continued partnership with House lawmakers as Congress works to help American businesses and workers weather the economic crisis brought on by the COVID-19 pandemic. Through passage of the Coronavirus Aid, Relief and Economic Security (CARES) Act and the Paycheck Protection Program and Healthcare Enhancement Act, Congress brought immediate aid to struggling small businesses.

The Paycheck Protection Program (PPP) was designed to allow small businesses to quickly access capital to retain employees and build a bridge to the other side of this shutdown. To date, lenders disbursed over \$531 billion in PPP loans to over 4.3 million small businesses across the country. Approximately 93% of the PPP loans were for \$350,000 or less.

The loans are intended to be forgiven if small businesses follow the rules provided by Congress, and the guidance published by U.S. Department of the Treasury and the U.S. Small Business Administration (SBA). Unfortunately, the forgiveness application, which Treasury and the SBA published on May 15th, is overly complex, does not align with congressional intent of the program and threatens the efficacy of the PPP. We have heard from constituent small businesses who will need to hire outside legal and accounting help, at great additional expense, to confidently complete the application. This makes little sense for mom and pop businesses with few employees, a small payroll and cash flow challenges stemming from an involuntary, government-imposed interruption of their operations. Likewise, most community financial institutions that originated small PPP loans have neither the staff nor the forensic auditing expertise to assist their borrowers with the extensive forgiveness application provided by the SBA.

Treasury and the SBA should tailor the forgiveness application to the size and complexity of the loan. Specifically, we recommend that Treasury and SBA create a streamlined forgiveness application for loans under \$350,000. This is the threshold at which the CARES Act makes the lowest cutoff in determining lender processing fees and captures the vast majority of PPP loans provided to small businesses. Much like the IRS relies on Form 1040 EZ for taxpayers with relatively straightforward tax filings, Treasury and the SBA should create a streamlined forgiveness application for small business loans below the dollar threshold. The application should consist of basic reporting by small businesses on how much they received and a good faith certification that they spent the funds in compliance with the requirements for forgiveness.

Treasury has already pledged to fully audit loans in excess of \$2 million. This request would not preclude Treasury and SBA from conducting oversight over the funds, or otherwise auditing any loan. But a streamlined forgiveness application would ease the burden on both borrowers and lenders of smaller PPP loans, consistent with congressional intent, while at the same time allowing Treasury and the SBA to focus its scarce and valuable resources on the program's higher risk and larger dollar-value loans.

On May 28th, the House passed legislation authored by Reps. Dean Phillips (D-MN) and Chip Roy (R-TX) with strong bipartisan support to make programmatic changes to the PPP. As the Senate considers this bill, technical corrections, or its own efforts to improve the PPP, we respectfully request that you direct Treasury and the SBA to create a streamlined forgiveness application for businesses with loans under \$350,000. We believe Treasury and SBA have the flexibility under the CARES Act to do so; however, legislation mandating the creation of a streamlined application would provide additional certainty. House lawmakers will continue to make this a legislative priority.

Small business owners are already grappling with the challenges they face from the COVID-19 pandemic. The smallest businesses should not be saddled with the same forgiveness reporting burden as larger businesses with larger loans.

Thank you for your consideration.