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April 4, 2020

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

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

Dear Secretary Mnuchin and Administrator Carranza:

On behalf of community banks across the country, with more than 52,000 locations, I write to thank you for your efforts to implement a successful Paycheck Protection Program (Program) that will help sustain small business employment in an historically challenging time. While more work remains to be done, we are grateful for your round-the-clock diligence to make this Program work as intended by Congress. We all want to ensure this \$349 billion program is a success.

At this time, nearly 48 hours after the Program went live, hundreds of lenders are still trying to get approval to access the SBA system so they can process loans. I would like to share with you what we are hearing from out in the field and our urgent recommendations for ongoing adjustments and enhancements to the Program to improve access for all community banks.

Paycheck Protection Program Access

- Please do everything in your power to support and enhance the overburdened Small Business Administration systems. Both existing SBA lenders and non-SBA lenders are experiencing massive delays and inability to process loans or even access the SBA to become an SBA lender. We recognize that these systems were not created to handle the volume of applications they are seeing today, but we must work with the systems we have. Without a more robust intake process, American small businesses in many parts of the country will not receive and deploy the funds intended for them. Community bankers are frustrated with failed technology links and portals. Even those banks with access to the E-

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Tran system have shared their experiences of significant challenges with user access and latency in application processing. But these banks are also persistent and determined to make this program succeed.

- Despite the additional guidance made available on Thursday night, community bankers remain frustrated with a myriad of unanswered questions and lack of clear instruction on how to complete loans through the SBA.

Paycheck Protection Program Funds

- Funding of \$349 billion is frankly inadequate for the magnitude of need in the American small business community and is likely to run out quickly. When the large banks all come fully online, these funds will be depleted rapidly, and thousands of cash-starved small businesses who believe they were promised access to credit will be frustrated and angry. We urge an immediate request to Congress for additional funding and will work with you to secure it. Without adequate scale, the Program cannot meet its potential.
- Allocate at least 25 percent of existing \$349 billion Program funds and future funds for banks of \$50 billion in asset size or less, consistent with their share of industry assets. Community banks serve markets not served by the large banks. To ensure Program access to all communities and regions of the nation, we must not allow Program funds to be used nearly exclusively by the largest banks.

Urgent Need for Liquidity

- As quickly as is practical, I urge Treasury and the Federal Reserve to launch a secondary market facility to purchase Program loans from originating institutions. This program should not be limited by the balance sheet capacity of participating lenders. This concept works well in the American mortgage market and should be replicated to meet Program loan demand in this crisis. Notably, the TALF program offered by the Federal Reserve worked well in the last crisis. It should be reinstated for the quick securitization of Program loans.
- The Federal Reserve should provide advances against Program loans to further enhance the capacity of the Program.

We are fully committed to working with you to implement these recommendations and create a Program that

will achieve its full potential. I assure you that community bankers will make broad use of the Program if properly crafted and with the scale necessary for the historic task at hand.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC: Federal Reserve Chairman Jerome Powell
Senate Small Business and Entrepreneurship Chairman Marco Rubio
Senate Small Business and Entrepreneurship Ranking Member Benjamin Cardin
House Small Business Chairwoman Nydia Velázquez
House Small Business Ranking Member Steve Chabot