

April 9, 2020

Mr. Rob Nichols
President and CEO
American Bankers Association
1120 Connecticut Avenue, N.W.
Washington, DC 20036

Dear Mr. Nichols:

We are writing today to express concerns about banks limiting access to the Paycheck Protection Program. We have heard from many constituents that because they do not have a preexisting account or because their lender is not accepting applications, that they are unable to apply for relief through this vital program. Unfortunately, many of these same customers that do not have preexisting relationships are those most likely to be already struggling to pay their bills and keep their businesses afloat. We are calling for your member banks with the resources to do so to open up applications for new customers urgently.

The rollout of the program has been far from smooth. Guidance was confusing for both banks and businesses, the application changed last minute, and many banks are stuck in a backlog waiting for approval for their lender applications or additional ETRANs licenses. Simultaneously, hundreds of thousands of small businesses from across the country started reaching out to apply or inquire about the application process last Friday. It is understandable why many banks' initial reaction was to limit the pool of applicants and focus on those customers that they already have relationships with and whose information they already have on file. But these decisions will have unintended consequences across the economy and among underserved communities in particular.

Collectively, these individual decisions to limit access to the application process have locked hundreds of thousands of businesses out at a time when they are desperately seeking support. This will lead to businesses receiving or not receiving funding solely based on which bank they picked years ago. It will undermine Americans' faith that the program was intended to be broad and accessible to nearly all small businesses. Unfortunately, limited access to the program will also disproportionately harm small businesses owned by women and minorities and small businesses located in rural communities.

Access to capital in the best of times is a challenge for minority-owned and women-owned small businesses. Coming into the crisis, Black-, Asian-American-, and Hispanic-owned businesses were less likely than White-owned businesses to have a loan or line of credit and more likely to rely on personal funds as a primary source of funding.ⁱ Similarly, women-owned firms start out with less capital than men-owned businesses, continue to face capital disparities in later years, and are less likely to raise external capital.ⁱⁱ Adding an additional barrier to this vital program will disproportionately harm these underserved communities that were already coming into the crisis with less access to capital

There are concerning geographical implications to restricting access to the program early on. Rural businesses are more likely than urban to have a loan, but are substantially more likely to work with a small bank.ⁱⁱⁱ As larger banks have the resources to process Paycheck Protection Program applications faster early on, this disparity could result in rural small businesses having to wait longer to get their applications in and therefore get relief.

We will continue to push for the federal support and guidance necessary to make this program work, including pushing to get more community banks up and running on the Paycheck Protection Program. In the meantime, we are writing to ask the banking community, particularly those banks with the most resources to do so, to start opening up applications to new customers. Further, we ask that your members dedicate resources for underserved small businesses that were less likely to have banking relationships prior to the crisis.

This is an unprecedented economic challenge. We are encouraged by how eagerly banks have stepped in to play their role in helping keep America's small businesses going and make the Paycheck Protection Program a success. One of the key features of this program, though, is broad access and limited barriers. We need to make sure all businesses have access to these programs, and we are asking for your help in doing so.

Sincerely,

Senator Tim Kaine

Senator Angus S. King, Jr.

Senator Christopher A. Coons

ⁱ Federal Reserve Bank of Atlanta. 2019 Report on Minority-Owned Small Businesses. January 14, 2020. <https://www.frbatlanta.org/news/pressreleases/atlantafed/2020/01/14/atlanta-fed-releases-2019-report-on-minority-owned-small-businesses>

ⁱⁱ National Women's Business Council. Women Business Owners' Access to Capital Literature Review. March 1, 2018. https://cdn.www.nwbc.gov/wp-content/uploads/2018/03/28215658/NWBC-Report_Understanding-the-Landscape-Access-to-Capital-for-Women-Entrepreneurs.pdf

ⁱⁱⁱ Federal Reserve Bank of Richmond. 2016 Report on Rural Firms. December 22, 2017. https://www.richmondfed.org/press_room/press_releases/2017/small_business_credit_survey_20171222