

United States Senate  
WASHINGTON, DC 20510-2606

October 28, 2020

The Honorable Marco Rubio  
Chairman  
U.S. Senate Committee on Small Business and  
Entrepreneurship  
428A Russell Senate Office Building  
Washington, DC 20510

The Honorable Ben Cardin  
Ranking Member  
U.S. Senate Committee on Small Business and  
Entrepreneurship  
428A Russell Senate Office Building  
Washington, DC 20510

Dear Chairman Rubio and Ranking Member Cardin:

I am writing to call your attention to a conflict created by the interplay between the Paycheck Protection Program (PPP) forgiveness process and rules governing Economic Injury Disaster Loan (EIDL) advances. As you know, borrowers who received EIDL advances must subtract the value of that advance from their PPP forgiveness amount. This requirement creates substantial challenges for both small business borrowers and their community bankers that I do not believe were fully appreciated when Congress passed the CARES Act, and when the Small Business Administration (SBA) issued subsequent guidance. I urge you to address this issue for community-based lenders and small businesses in Montana and across the country in any future COVID-19 relief package.

The Small Business Administration operated the PPP and EIDL programs entirely independently. However, PPP lenders whose borrowers also received an EIDL advance are required to subtract their advance from the portion of their PPP loan that is eligible for forgiveness. As a result, lending institutions will be left with thousands of small dollar loans (as low as \$1,000), which they have to service for up to five years at a nominal interest rate. This is particularly burdensome for small, community lenders.

In addition to the servicing and compliance costs associated with the loan, this requirement creates a substantial reputational risk for community banks who were trying to do the right thing for their customers. Due in part to confusing guidance from SBA, many borrowers did not realize that EIDL advances would not be forgiven if a borrower also received a PPP loan. Now, community bankers are in the unenviable position of explaining to small business borrowers, who followed the rules of the program to the letter, why they must continue to make payments on their loan.

I urge you to address this issue in a way that lifts the burden for community banks of servicing thousands of small dollar loans and clarifies the process for impacted small businesses. Thank you for your consideration, and I look forward to working with both of you to pass additional relief for small businesses during this unprecedented time.

Sincerely,



STEVE DAINES  
United States Senator