

Congress of the United States
Washington, DC 20515

April 28, 2020

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

The Honorable Jovita Carranza
Administrator
Small Business Administration
409 Third Street, SW, Suite 7900
Washington, DC 20416-2230

Dear Secretary Mnuchin and SBA Administrator Carranza:

We are writing to express, in the most direct and urgent terms possible, our grave concern that Hawai'i's small businesses are significantly disadvantaged from accessing the second round of the Small Business Administration's (SBA) Paycheck Protection Program (PPP).

We understand that in the first day since SBA resumed accepting PPP applications on Monday, April 27, 2020 at 4:30 AM Hawaii time, SBA-preferred lenders serving Hawai'i small businesses were only able to process a few hundred applications, virtually all of which were among the estimated 11,000 Hawai'i small business applications already in process from the first tranche of PPP funding. This contrasts starkly with reports of hundreds of thousands of applications successfully submitted from elsewhere in the country.

For starters, the SBA's decision to commence accepting applications at 10:30AM EST, 4:30AM in Hawai'i, completely disadvantaged Hawai'i lenders. It was inexcusable for the SBA to provide a favorable time zone advantage to the East Coast and essentially discriminate against the West Coast and the Pacific.

Second, the SBA's e-Tran system is and remains highly problematic. Although financial institutions on the continental United States are reportedly able to upload hundreds of applications a day, financial institutions across Hawai'i are functionally unable to even access the system, and those institutions that are able to access have reported getting kicked out up to twenty times per application. As a result, it is taking more than one hour to input each application into SBA's system in some instances.

Third, despite repeated requests from Hawai'i financial institutions to the SBA for additional e-Tran portal logins, the SBA has not taken any action. Our offices have also attempted to contact the SBA regarding the need additional e-Tran logins for local Hawai'i institutions, but we have not received an official response. Small businesses should not be penalized based on geography or for banking with community-based, small and mid-sized local financial institutions.

Fourth, the SBA's last-minute Sunday evening guidance placed Hawaii's institutions, which are all small, at a compounding disadvantage. This guidance authorized financial institutions to submit a one-time bulk upload of 5,000 or more applications and set a lending cap of \$60 billion. As no Hawai'i small business lender meets the bulk upload criteria, they were forced into the single application process that has been so dysfunctional. This high lending cap and large bulk upload policy enabled nationwide banks to submit thousands of applications, while severely hindering (and in some cases, completely excluding) Hawai'i lenders and small businesses.

The SBA's response to date that Hawai'i institutions and lenders will be adequately covered by the smaller institution set-asides is completely unacceptable. For one, the law does not exclude such institutions from participating in the larger \$250 billion unrestricted pool even though the implication of the SBA's response is otherwise. Additionally, there are reports that the set-aside pools are close to running out, if they have not run out already. Our institutions will soon need to pull from the \$250 billion in order to meet the needs of Hawai'i small businesses, and so it is essential that they be able to access SBA's loan system.

We specifically ask for your immediate and full review of these issues and for your assurance that Hawai'i small businesses will be able to obtain at least \$1.8 billion in second round PPP funding representing roughly the pro rata portion of total PPP availability in this current tranche as Hawai'i obtained in the first tranche. Please respond immediately.

Sincerely,



BRIAN SCHATZ
United States Senator



MAZIE K. HIRONO
United States Senator



TULSI GABBARD
Member of Congress



ED CASE
Member of Congress