



April 2, 2020

BY ELECTRONIC TRANSMISSION

The Honorable Steven Mnuchin,
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20005

The Honorable Jovita Carranza,
Administrator
U.S. Small Business Administration
409 Third St., S.W.
Washington, D.C. 20416

RE: CARES Act – Paycheck Protection Program

Dear Secretary Mnuchin and Administrator Carranza:

As you seek to implement the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), we ask that as many small businesses as possible have access to the new Paycheck Protection Program (“PPP”) emergency loans as quickly as possible.

The enormity of the COVID-19 pandemic’s potential economic impact is staggering. 10 million Americans have lost their jobs in the past two weeks and job losses are accelerating. In a dire forecast published recently, the Federal Reserve Bank of St. Louis projected up to 47 million layoffs and an unemployment rate of 32% during the second quarter of 2020, which would far exceed the low point of the Great Depression¹. Until this crisis subsides, it is vital that all small businesses that need emergency assistance receive it as quickly as possible so they have a fighting chance to outlast the economic stoppage, keep their employees economically secure, and continue to operate on the other side of this unprecedented event. Surviving small businesses will be the seeds for the economic recovery.

Under the CARES Act, access to the PPP program is limited to businesses that have fewer than 500 employees. Under longstanding SBA affiliation rules, many small businesses with far fewer than 500 employees that would otherwise qualify will not be eligible because they received external growth capital from a venture capital, private equity, or other private capital provider. The affiliation rules force all the employees of unrelated small businesses to be combined and treated if they are a single entity if they have a common equity provider above a low threshold. Under the current circumstances these rules are overly limiting and needlessly threatening to the maintenance of many small business jobs. They should be made simpler and more flexible for the PPP program.

The government should use whatever authorities it has to provide speedy access to emergency relief to small businesses including but not limited to: modifying the affiliation rules, adjusting SBA size standards and classifications, and offering regulatory waivers to employers that have been supported by small

¹ <https://www.stlouisfed.org/on-the-economy/2020/march/back-envelope-estimates-next-quarters-unemployment-rate>

business investors of all types (including Rural Business Investment Companies, lower middle market equity and debt funds, smaller venture funds, etc.).

We also must raise with you the unique challenges faced by the smallest businesses and the businesses located in rural areas, underserved communities, and areas generally far from the large banking centers. Every small business and every American with a small business job is worthy of being saved, not just those with existing banking relationships. Many of these rural small businesses support agricultural and food producing endeavors that must not be shut down or diminished. We ask that the government create policies and explicit guidance for the PPP providers to serve all small businesses equally to ensure these rescue loans are equally accessible and available to all small businesses regardless of location or distance from the urban banking centers.

Realizing that most businesses with more than 500 employees would not qualify for the PPP loan program, Congress also created the Emergency Stabilization Fund (ESF) in the CARES Act. We ask that you do all you can to expedite clarity around the ESF and the related Main Street and state facilities because a working capital lifeline is urgently needed to save jobs in businesses with over 500 employees too.

Thank you and all the public servants who are working tirelessly on behalf of the American people. We look forward to working together to develop and implement critical federal regulations to ensure America's small businesses have access to the capital they need in these very difficult times.

Sincerely,

A handwritten signature in blue ink that reads "Brett Palmer".

Brett Palmer
President
Small Business Investor Alliance