

# United States Senate

WASHINGTON, DC 20510-0908

April 7, 2020

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

The Honorable Jovita Carranza  
Administrator  
U.S. Small Business Administration  
409 3<sup>rd</sup> Street SW  
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

We write regarding implementation of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136)*, particularly as it pertains to helping underserved communities access important financial resources authorized by the law.

As you know, the *CARES Act* included \$377 billion to provide relief to support small business owners, who are desperate for help during this unprecedented public health and economic crisis. The majority of this funding was provided to support the Paycheck Protection Program (PPP), which provides cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency. The program allows forgiveness of up to 8 weeks of payroll costs based on employee retention and salary levels, no SBA fees, and six months of complete payment deferral.

It is critical that underserved borrowers do not fall between the cracks in the implementation of this program. That is why Congress insisted on a tiered processing fee structure that incentivizes banks to make loans of \$350,000 or less and inserted language encouraging SBA to release guidance to lenders to ensure that the processing and disbursement of PPP loans prioritizes small business concerns and entities in underserved and rural markets. This includes those owned by veterans and other members of the military community, minorities, women, and businesses in operation for less than 2 years.

We believe that more can be done to reach out to and authorize those lenders, such as Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), and mission-based non-profit lenders, which are best positioned to bridge the trust gap between many underserved communities and the traditional financial sector. For example, a survey conducted by the Association for Enterprise Opportunity (AEO) found that more than half (51%) of Black respondents indicated they felt unfairly treated by financial institutions, compared to only 26% of white respondents.<sup>1</sup>

We recommend that a portion of available PPP funding be reserved for those borrowers who do not have relationships with the traditional lenders that will dominate delivery of PPP Loans. In the first days of the program, it is already clear that many banks are serving existing

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<sup>1</sup> <https://aeoworks.org/our-work/cohorts/tapestry-project/>

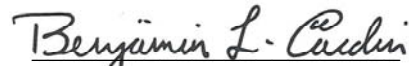
clients first, with some even prioritizing only those existing clients who have already taken on debt with that financial institution. This leaves underserved communities with no or severely limited access to these vital funds. Without proactive and sustained outreach, we can expect that underserved communities will be disproportionately harmed – just as they were during the Great Recession when minority business enterprises suffered a precipitous decline in the proportion of SBA-backed loan approvals. We must not repeat this same mistake in implementing the Paycheck Protection Program.

We appreciate your immediate attention to this critical issue and thank you for your continued work to mitigate the impacts that this public health crisis is having on our economy.

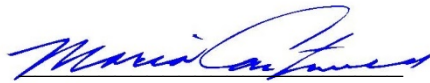
Sincerely,



Charles E. Schumer  
Charles E. Schumer  
United States Senator



Benjamin L. Cardin  
Benjamin L. Cardin  
United States Senator



Maria Cantwell  
Maria Cantwell  
United States Senator



Jeanne Shaheen  
Jeanne Shaheen  
United States Senator



Edward J. Markey  
Edward J. Markey  
United States Senator



Cory A. Booker  
Cory A. Booker  
United States Senator



Christopher A. Coons  
Christopher A. Coons  
United States Senator

/s/ Mazie K. Hirono

Mazie K. Hirono  
United States Senator



Tammy Duckworth  
Tammy Duckworth  
United States Senator



Jacky Rosen  
Jacky Rosen  
United States Senator