

Congress of the United States
House of Representatives
Washington, DC 20515

April 9, 2020

Ms. Jovita Carranza
Administrator
United States Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

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

Dear Administrator Carranza and Secretary Mnuchin:

We write to urge your immediate attention and swift action on an issue that threatens the financial security and longevity of small businesses.

On March 27, the House passed the CARES Act (PL 116-136), which was shortly thereafter signed into law, to respond to the economic effects of the coronavirus pandemic. As the public health measures necessary to slow the spread of coronavirus are taking a particular toll on small businesses, the CARES Act provides a broad range of assistance to small businesses that might otherwise not be able to survive the impact, including the Paycheck Protection Program (PPP).

The PPP, found in Section 1102 of the CARES Act, is a \$349 billion loan program—managed by private sector lenders but guaranteed by the government—to help small businesses keep afloat during a time of social distancing and mandatory business closures. Under Section 1106 of the CARES Act, the PPP also allows loan forgiveness, making it a lifeline for small businesses around the country. Without this loan forgiveness, the PPP is merely another loan that would save a business now to watch it sink into debt later.

Accordingly, the terms of this loan forgiveness were clearly and intentionally stipulated in the CARES Act, allowing for forgiveness on a covered loan to be equal to the payroll costs **plus** any payment of interest on any covered mortgage obligation **plus** any payment on any covered rent obligation **plus** any covered utility payment. As this loan and the corresponding loan forgiveness was meant to ensure the continued employment of individuals throughout the country, the loan forgiveness stipulations of the PPP state that the amount of the loan forgiven would be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. No other stipulations were named, in order to provide small businesses the flexibility necessary to best weather these trying times.

As a result, we were disappointed to learn that, contrary to Congressional intent, the Department of the Treasury and the Small Business Administration (SBA) have added stipulations to this loan forgiveness. According to this guidance, not more than 25% of the forgiven amount may be for non-payroll costs and compensation levels of employees must be maintained—rather than the Congressional stipulation of not reducing compensation beyond 25%. We ask that you share your agencies' rationale for including this additional stipulation, and we ask that you rescind this

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requirement and allow small businesses the flexibility, within the parameters set forth by Congress, to use the PPP loans as necessary to keep their individual business afloat.

We also call on the SBA and Department of the Treasury to provide guidance for borrowers that are unable to rehire employees by June 30, 2020. Many small businesses are concerned that, due to the extenuating factors surrounding the pandemic, employees that have been let go will not want to immediately return to their employment. According to current PPP guidance, this would negatively affect a borrower's loan forgiveness, even though this is a factor outside of said borrower's control. These small businesses require direction on how to navigate this aspect of the PPP loans, without sacrificing their loan forgiveness.

As a resource for small businesses, sole proprietors, contractors, and the self-employed, PPP loans were meant to both keep workers employed and to address the different context and needs of these businesses. Additional stipulations or insufficient guidance for these businesses means they could be forced to choose between abandoning critical aspects of their business or taking on additional debt that they cannot afford. Forcing small business owners to make this choice could result in these businesses having to close their doors, further feeding into a loss of industry and higher unemployment at a time when Americans are struggling most.

Thank you, Administrator Carranza and Secretary Mnuchin, for your attention to this critical matter, and for the SBA and Department of the Treasury's work to address the economic impacts of this pandemic. Your swift action on this issue will help alleviate the concerns of our nation's small businesses, which are vital to our country and our communities.

Sincerely,



Abigail D. Spanberger
MEMBER OF CONGRESS



Mike Gallagher
MEMBER OF CONGRESS



Josh Gottheimer
MEMBER OF CONGRESS

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