

April 28, 2020

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

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd St, SW
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza,

We write to request that the newly expanded federal programs - intended to support small businesses and workers impacted by the coronavirus (COVID-19) pandemic - be implemented with clarity and speed. We appreciate the latest action by Congress to provide hundreds of billions of dollars in necessary funding for small business support programs. As you know, small businesses are the nation's economic engine and any additional resources directed toward our small businesses are key to our long-term economic recovery.

As mayors, we have taken swift action to support small businesses and workers. We are providing direct grant programs to small businesses and temporarily halting evictions. Ultimately, however, we know that the need among small businesses and their employees far exceeds the local and state resources available and that this crisis requires an unprecedented level of federal aid. As you work to distribute this next round of funding, we urge you to implement policies and guidelines to address the following issues:

- **Increase participation from, and provide needed clarity to, lenders serving low-income businesses, communities of color, and non-native English speaking business owners to better serve vulnerable populations:** There is significant confusion among borrowers and lenders alike about the implementation of these programs, and as a result, lender participation is inconsistent creating a frustrating experience for the small businesses seeking emergency capital.
 - Both potential borrowers and lenders have experienced changing rules and requirements.
 - Many banks have only offered PPP to their existing customers, creating another barrier to accessing urgently needed capital for our underserved small businesses.
 - Larger national chain businesses that still qualify as a small business under the guidelines have much more capacity to navigate the confusion and likelihood of accessing capital than a smaller, local, independent or family run business.
 - Local community lenders who are more aligned with supporting our underserved small businesses lack the reserves or have difficulty meeting other criteria to be able to participate as a lender in the PPP.
 - The inability of many local lenders to participate is particularly harmful to traditionally underserved communities of color and non-native English-speaking business owners.
 - The confusion and uncertainty, combined with the 'first come, first served' nature of programs with limited resources, will mean that the communities most in need and

most susceptible to economic shocks will be locked out of these critical federal programs, furthering the systemic inequities that are all too prevalent in our country.

- **Have set-asides based on characteristics of the business rather than the lender characteristics in the next round of PPP funding.**
 - The current \$30 billion set-aside that CDFIs are included in applies to all lenders with assets under \$10 billion. That pool includes many smaller commercial banks, and the set-aside funds will most likely go just as quickly as the regular pot of funds.
 - In theory, the set-aside should help reach smaller businesses, based on the assumption that smaller banks and CDFIs serve smaller businesses. However, many small businesses have their deposit accounts at a larger bank and consider that their primary banking institution.
 - The set-asides should therefore be based on business characteristics, such as revenue size and location in a low-income area. This is a much more direct way to address the disparity of large businesses receiving PPP instead of small businesses.

- **Get EIDL approvals and payments out to businesses much faster and fix the online application system.** Some of the specific concerns we have heard from community about the implementation of the EIDL program include:
 - Many small businesses have been alarmed by the change to the \$10,000 forgivable loan advance, which has been scaled back to \$1,000 per employee.
 - The application system and technology platform seems overwhelmed; small businesses report being repeatedly kicked out of the online system and having to re-apply multiple times without any confirmation from SBA their application is being processed.
 - In cases where an application has been confirmed as received, there are significant delays in receiving the loan advance.
 - Although the law requires SBA to issue advances within three business days, many small business owners have indicated they are still waiting even weeks after applying.

- **Increase flexibility on forgiveness thresholds:** We have also heard from potential PPP borrowers that the thresholds for forgiveness are problematic.
 - The 75/25 forgiveness rule requiring businesses to spend 75 percent of the loan on payroll in eight weeks after receiving the loan for it to be forgiven is unworkable, particularly for many restaurants, retail, and nightlife establishments given our state remains under a “Stay Home, Stay Healthy” order to help flatten the curve.
 - The requirement to return staffing levels to pre-COVID-19 levels before June 30 is unrealistic. Given the uncertainty of the recovery for many small businesses, providing flexibility on this requirement would improve access to capital and support businesses understandably wary of taking on additional debt.

Our nation’s small businesses need clear, coherent federal guidance during this crisis, and we urge you to provide more standardized operating procedures, give lenders more clarity, and help put small businesses on a more equal playing field during this difficult time.

We are at the most significant inflection point for our economy and constituents since World War II. Failure to act boldly for our workers and small businesses will only further devastate our cities, regions, and states for years to come. We appreciate your urgent attention to these issues.

Sincerely,

Mayor Jenny A. Durkan
Seattle, Washington

Mayor Lori E. Lightfoot
Chicago, Illinois

Mayor Eric Garcetti
Los Angeles, CA

Mayor Ethan Berkowitz
Anchorage, Alaska

Mayor Libby Schaaf
Oakland, California

Mayor Muriel Bowser
Washington, D.C.

Mayor Dan Horrigan
Akron, Ohio

Mayor Darrell Steinberg
Sacramento, California

Mayor David Martin
Stamford, Connecticut

Mayor Cassie Franklin
Everett, Washington

Mayor Michael Hancock
Denver, Colorado

Mayor Bill de Blasio
New York C, New York

Mayor Sam Liccardo
San Jose, California

Mayor Jorge O. Elorza
Providence, Rhode Island

Mayor Martin J. Walsh
Boston, Massachusetts

Mayor Kate Gallego
Phoenix, Arizona

Mayor Jim Kenney
Philadelphia, PA