

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-0515

June 16, 2020

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

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

Dear Secretary Mnuchin and Administrator Carranza:

As members of the House Committee on Small Business, we have heard from countless minority-owned small businesses around the country who have either had trouble accessing or been denied outright for the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program. In light of these reports, we request that you immediately begin publishing demographic data, disaggregated by race, regarding these programs. More transparency will allow Congress to determine which communities and businesses have been underserved by the programs and address those access issues accordingly.

As you know, the CARES Act instructed the SBA to prioritize funding to minority-, and women-owned small businesses.¹ On May 8, 2020, SBA's Office of Inspector General (OIG) reported that SBA did not issue guidance to prioritize lending to underserved entities, in accordance with the Act, nor did it collect demographic information from loan applicants.² We are deeply concerned that the SBA programs are not reaching the underserved markets, as intended.

Like many small businesses throughout the county, minority-owned small firms have had to shutter their doors, temporarily lay-off workers, and reduce wages due to the COVID-19 pandemic. According to a federal stimulus survey done by Color of Change and Unidos U.S., 45 percent of Black and Hispanic small business owners will have to close by the end of the year, despite two rounds of PPP support.³ This is likely due to their inability to fully access these

¹ 15 U.S.C. § 636(a)(36)(P)(iv)

² U.S. Small Bus. Admin. Office of Inspector Gen., *Flash Report: Small Business Administration's Implementation of the Paycheck Protection Program Requirements* (May 8, 2020), https://www.oversight.gov/sites/default/files/oig-reports/SBA_OIG_Report_20-14_508.pdf.

³ Color of Change, Unidos U.S., *First COVID-19 Survey of Black and Latino Small-Business Owners Reveals Dire Economic Future, Inaccessible and Insufficient Government Relief Funds*, May 28, 2020. https://colorofchange.org/press_release/first-covid-19-survey-of-black-and-latino-small-business-owners-reveals-dire-economic-future/.

programs – only 12 percent of these business owners reported receiving the full amount they applied for, with 41 percent being denied outright for any assistance through PPP.⁴

On Wednesday, June 10, 2020, the Small Business Committee heard testimony from a minority pharmacy owner in South Philadelphia about the issues he encountered in accessing EIDL funding. According to his testimony, his loan was reviewed and denied before receiving an EIDL advance. Under the CARES Act, these advances were intended to reach all applicants, regardless of whether they were eventually denied the EIDL. In addition, and equally troubling, his loan was denied due to “unsatisfactory credit,” and SBA did not communicate the threshold for approval or seek an explanation from the borrower for the credit score. Moreover, SBA did not pursue an alternative method to determine ability to repay, as permitted by the CARES Act. This is only the latest in a series of anecdotal reports from small minority-owned firms confirming the difficulty of accessing these programs.

Historically, minority-owned businesses experience great difficulty accessing the capital needed to start or expand a business. This is why our first hearing of the 116th Congress was on the challenges faced by underserved business communities. Unfortunately, many of these businesses are also located in areas of the country hardest hit by the COVID-19 pandemic, in terms of both public health and economic impact. The 22 percent of U.S. counties that are disproportionately black account for 52 percent of COVID-19 cases and 58 percent of COVID-19 deaths.⁵ It is therefore appropriate that the federal government prioritize support for these businesses and ensure their safe reopening upon the end of stay-at-home orders.

With that said, it is impossible for Congress to draw meaningful and reliable conclusions based solely on anecdotal evidence. For Congress to do its part towards increasing the equitable distribution of these loans, it needs reliable demographic data about who is being approved or denied, at what rates, what funding levels, and the time borrowers spend waiting. For the conventional 7(a) and 504 loan programs, SBA publishes weekly lending reports that include demographic data broken down by ethnicity, gender, age, veteran status, and other key metrics.⁶ Given that PPP is a 7(a) sub-program and follows a similar application process, this data should be available for publication as well, and we insist SBA publish it immediately. If this data is not currently being collected for PPP or EIDL, we request that you start collecting and reporting on it immediately.

⁴ *Id.*

⁵ Marc Zarefsky, *Why African American Communities are being hit hard by COVID-19*, AMA-ASSN, May 13, 2020. <https://www.ama-assn.org/delivering-care/population-care/why-african-american-communities-are-being-hit-hard-covid-19>

⁶ *See, e.g.*, U.S. Small Bus. Admin., *2020 Weekly Lending Reports* (June 5, 2020) https://www.sba.gov/sites/default/files/2020-06/WebsiteReport_asof_20200605.pdf.

This information will be essential for the House Committee on Small Business to conduct program oversight, and as we continue considering legislation designed to further enhance both the PPP and EIDL programs. We thank you in advance for your cooperation.

Sincerely,



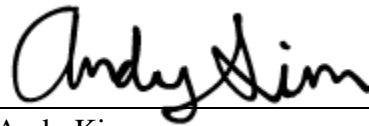
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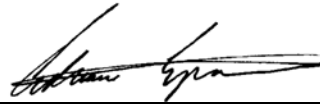
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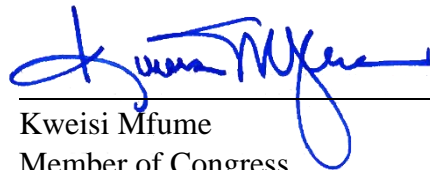
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