

Congress of the United States

Washington, DC 20510

June 25, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi, Majority Leader McConnell, Republican Leader McCarthy, and Minority Leader Schumer:

We write to express our concerns with the Small Business Administration (SBA) Affiliation Rule and its impact on community-based small businesses that receive financial assistance from Community Development Entities (CDEs) licensed by the Department of Treasury. As you draft the next legislative package to help our country rebuild from the COVID-19 pandemic, we urge you to include language that will ensure CDE beneficiaries are able to access funding from SBA disaster relief programs to support their continued work in rural and economically distressed areas.

The economic consequences of the COVID-19 pandemic have left small businesses nationwide in need of assistance to ensure their continued survival. SBA disaster relief programs, such as the Payroll Protection Program (PPP) and the Emergency Injury Disaster Loans (EIDL) have been a critical lifeline to help businesses stay afloat and remain pillars in our communities.

But many rural and minority-owned businesses, who are often less likely to have the existing banking relationships necessary to quickly access certain SBA funds, have been more at risk of being left behind.^[1] Although we appreciate the intent of the SBA Affiliation Rule to prevent well-resourced private equity firms from accessing relief at the expense of those businesses most in need, the rule has inadvertently compounded access concerns for rural and minority-owned small businesses by disqualifying businesses who have received CDE funding due to small amounts of private equity funding.

Small businesses who are beneficiaries of CDEs are already licensed or qualified as businesses with a history of investing in marginalized, low-income, and economically distressed communities. These are the businesses that have the highest potential to help these communities

^[1] Small Business Administration's Implementation of the Paycheck Protection Program Requirements, SBA Inspector General, May 8, 2020
https://www.sba.gov/sites/default/files/2020-05/SBA_OIG_Report_20-14_508.pdf

recover in the wake of COVID-19, and they should not be categorically excluded from the emergency relief they need due to minority private equity investment. CDEs operate much like Small Business Investment Companies (SBICs) or Minority Owned Depository Institutions (MDIs), which the Department of Treasury has already excluded from the Affiliation Rule, and exclusively provide resources to Qualified Active Low-Income Community Businesses. CDEs foster economic growth in struggling communities, something that is paramount for those communities hardest hit by the pandemic during these unprecedented months.

We urge you include language in future COVID-19 response legislation to narrowly exempt CDEs from the Affiliation Rule and include CDEs in any set aside of funds for CDFIs, MDIs, SBA microlenders, and SBA Certified Development Companies (CDCs). This small, but important addition would provide a necessary funding opportunity for small businesses that are anchored in community impact and otherwise qualify for the PPP, expanded Economic Injury Disaster Loans, and Main Street Lending Programs.

Thank you in advance for your consideration of this request. We look forward to continuing to work together to ensure funding is distributed directly to small businesses as our nation starts to rebuild.

Sincerely,



Gilbert R. Cisneros, Jr.
Member of Congress



Troy Balderson
Member of Congress

Members Signing

/s/ Sanford D. Bishop, Jr.
Member of Congress

/s/ Tony Cárdenas
Member of Congress

/s/ André Carson
Member of Congress

/s/ Ed Case
Member of Congress

/s/ Joaquin Castro
Member of Congress

/s/ Judy Chu
Member of Congress

/s/ Jesús G. "Chuy" García
Member of Congress

/s/ Jim Costa
Member of Congress

/s/ TJ Cox
Member of Congress

/s/ Jimmy Gomez
Member of Congress

/s/ Vicente Gonzalez
Member of Congress

/s/ Ro Khanna
Member of Congress

/s/ Ben Ray Luján
Member of Congress

/s/ Lucille Roybal-Allard
Member of Congress

/s/ José E. Serrano
Member of Congress

/s/ Josh Harder
Member of Congress

/s/ Ted Lieu
Member of Congress

/s/ Grace F. Napolitano
Member of Congress

/s/ Linda T. Sánchez
Member of Congress