

## **Ad Hoc Massachusetts Small Business COVID-19 Response Coalition**

**To: SBA Administrator Jovita Carranza  
Massachusetts Congressional Delegation**

**Fr: Coalition Members Listed Below**

**Re: Recommendations for improvements to the Paycheck Protection Program (PPP)**

**Dt: May 11, 2020**

We are writing as a statewide coalition of community-based organizations, CDCs, CDFIs, and advocates who work with a wide range of under resourced entrepreneurs and small businesses, including minority-owned small businesses, immigrant-owned businesses, women-owned businesses, businesses located in communities with low or moderate incomes and other very small businesses. Our Coalition is working in urban, rural and suburban communities across the Commonwealth and serve thousands of businesses every year.

For the past several weeks, we have worked with hundreds of small businesses to help them access and apply for the PPP and other Federal, State or Local resources. Our businesses have encountered many difficulties in this process – difficulties that many of us have [highlighted in the past](#) and have been well documented in the media. In short, the program favors those with banking relationships, technology tools, professional advisors and white-collar jobs and does far less for the vulnerable, underbanked, lower capacity businesses and those who have been ordered to completely close their doors. We fear that the program – as implemented - is exacerbating and accelerating inequality.

Coalition members have been working day and night to help our clients overcome those challenges and many have indeed secured PPP loans. While Massachusetts based CDFIs have largely been blocked from making PPP loans themselves, they have assisted dozens and perhaps hundreds of businesses to obtain PPP loans from other lenders. Sadly, many small businesses have not received a PPP loan and will not due to the rigid structure of the PPP and the many obstacles they face. Equally distressing is the fact that some have chosen not to apply because the program requirements do not work for their business or because they qualified for such a small loan – an especially common problem for self-employed people.

Many of us co-signed a letter on April 28, 2020 calling on the SBA to earmark funds for minority-owned businesses, CDFIs and minority-owned financial institutions. We stand by those recommendations and urge their adoption. We write today to offer additional recommendations in two broad areas:

1. Recommendations to simplify and improve the implementation of PPP Round 1 & 2;  
and
2. Recommendations for the next phase of small business assistance.

## Recommendations to simplify and improve the implementation of PPP Round 1 and 2

As of May 1st, 95,000 businesses and nonprofit organizations in Massachusetts had received PPP loans totaling over \$14 billion. We are now interested in seeing those dollars put to the best possible use so they have the biggest possible impact on the Massachusetts economy. Toward that end, we offer the following recommendations:

- **Provide businesses with more time to use the funding:** The current program rules require businesses to spend the loan proceeds in an 8-week period before June 30<sup>th</sup> to receive loan forgiveness. Even if the SBA deals with the mathematical conflict for businesses receiving their loans in mid-May (who don't even have 8 weeks before June 30) these requirements make little economic sense. The Massachusetts economy anticipates reopening on May 18 at the earliest and for many businesses it will make much more sense to use these funds in June, July or later as they adopt new safety procedures, prepare to reopen, rehire and scale up their business. This is especially true for seasonal businesses, of which we have many in Massachusetts. Our recommendation is to extend the 8-week covered period for loan forgiveness and the overall program until December 31 to give businesses the ability to choose the best time for their business, without excessive government regulation. Senator Joe Manchin has filed legislation to give businesses 16 weeks to use PPP funds, and this would certainly help, although we would still recommend a longer period.
- **Provide businesses with more flexibility on how to spend the funds:** The SBA has imposed a rule that 75% of the loan proceeds must be used on payroll in order to have the loan forgiven. However, this requirement – which was not in the legislation – makes little sense for businesses that have been ordered shut by local authorities. Even the SBA's own Inspector General is now [questioning](#) this requirement. Many business owners are rightfully wondering why the government is forcing them to hire workers when there is no work to be done, and who may not want to return. We recommend eliminating this arbitrary requirement or at least reducing it to 51%. This change, combined with a time extension, would allow businesses to make sound business decisions without the Federal Government imposing a one-size-fits-all requirement. In addition, we recommend expanding the list of covered expenses to include payroll costs, rent, utilities, mortgage interest, mortgage principal, and business insurance.
- **Clarify and simplify the forgiveness requirements:** Current SBA guidance regarding loan forgiveness is very confusing and most businesses will need highly trained accountants and expensive lawyers to help them figure it out. Indeed, the rules are so confusing, some businesses are afraid to use the money for fear of incurring more debt, or even prosecution for fraud. *The SBA needs to make the process much simpler.* Specifically, we request that the SBA:
  - Publish clear and concise forgiveness guidelines ASAP;
  - Mandate the use of one simplified forgiveness form to be used consistently across financial institutions;
  - Exclude provisions relating to borrowers' ability to access capital elsewhere;
  - Do not require the provision of payroll records or receipts;

- Simplify the re-hiring exemption including eliminating the requirement of documenting former employees' offer rejections (for all or at least certain industries); and
- Require SBA lenders to provide mandatory notices to borrowers with clear instructions on how to seek forgiveness of their loans.
- **Allow automatic forgiveness for small loans:** We further recommend that the SBA automatically forgive all small loans. This would dramatically ease the administrative burden on banks, enable business owners to focus on rebuilding their business rather than government compliance, infuse more money into our local economy, and help address the deep wealth inequality that exists in our state and in our country. So far, 3.2 million loans have been made that are under \$150,000 totaling \$121 billion. This represents just 22% of the total dollars in the program. By forgiving these loans, the SBA and the banks can ensure proper oversight of larger loans while accelerating and deepening support for smaller businesses.
- **Allow businesses to refinance the unforgiven portion of a PPP loan into EIDL loan:** The current PPP program requires businesses to pay back the unforgiven balance in two years – a very short time frame in the context of the current economic challenges. We recommend allowing business owners to roll their loans over into an EIDL loan with a 30-year term, while maintaining the favorable 1% interest rate. For business owners who are self-employed, we also urge the SBA to leave PPP loans off credit reports unless they convert into repayable loans.
- **Collect demographic and geographic data of PPP participants:** We urge the SBA to collect data on the gender, racial and ethnic background of the business owners participating in the PPP program. This could easily be done by collecting this information as part of the loan forgiveness application. We also urge the SBA to release data on the zip code or census tract of each loan so researchers can determine whether certain communities were or were not well served by the program.
- **Recycle dollars recouped through loan repayments:** As businesses elect to return their PPP loan or begin to repay the unforgiven portion of their loans, the SBA is likely to collect several billions of dollars. We believe these dollars should be recycled into grants, low cost loans and other programs that will support underserved businesses. We know this economic crisis is likely to last for many months or even years so those repayments could become vital to sustaining our economic recovery this year and next.
- **Expand language accessibility:** We request that the SBA make its forms and guidance documents available in multiple languages to ensure equal access to the information needed to fully participate in the PPP program.

### **Recommendations for the next phase of small business assistance.**

As the economic impact of COVID-19 continues, we urge Congress to consider additional support for small businesses. However, we strongly urge Congress and the SBA to design future small business support efforts in a way that more directly addresses the racial inequities in our

country and targets resources to the businesses that need it the most, in particular neighborhood, urban and rural businesses with less than 100 employees.

We are very supportive of the legislative efforts already underway by members of our Congressional Delegation, including the Paycheck Security Act filed by Senator Warren and the Saving Our Streets Act filed by Rep. Pressley. Both bills address the weaknesses in the PPP program and would go a long way to serving our communities.

We also want to offer these additional thoughts and recommendations:

1. We support a third round of the PPP program, but only if significant changes are made. Any future PPP program must
  - a. include strict (and separate) set-asides for CDFIs (including smaller CDFIs) and minority-owned financial institutions and sufficient tools to give CDFIs the liquidity they need to participate.
  - b. include grants for micro-businesses and minority-owned businesses that can't take on debt or are ineligible for PPP as currently constructed.
  - c. require banks and approved lenders to make loans to non-customers.
  - d. Address the other design flaws noted above.
2. We call for \$1 billion of flexible capital funding for CDFIs and minority financial institutions so they can make more small business loans in their communities, including to minority-owned small businesses. We also believe that nonprofit CDFIs should be allowed to receive PPP loans as clearly allowed under the CARES Act.
3. We call for additional CDBG funding (beyond the \$5 billion in the CARES Act) which can be used to provide grants, loans and technical assistance to small businesses in low- and moderate-income communities. Indeed, many cities in Massachusetts are already using the CDBG funding in the CARES Act to provide emergency grants – we need more such funding (and more flexibility) going forward.
4. No small business strategy can be considered complete without significant funding for technical assistance by community-based organizations that can offer culturally competent and multi-lingual business coaching to small businesses and businesses owned by people color. In Massachusetts, we have an effective model for that in the Small Business Technical Assistance program administered by the Massachusetts Growth Capital Corporation. The SBA has also recognized the value of technical assistance by incorporating it directly into their micro-loan program.
5. We also call for the modification and expansion of the existing Economic Injury Disaster Loan (EIDL) program. EIDL loans should be based on operating expenses of the business rather than the number of employees to afford this relief to micro-businesses and sole proprietors.

We thank Congress and the SBA for implementing this emergency loan program during this unprecedented crisis. While PPP was a critical first step to support small businesses, its clear that it has not reached all businesses equitably and left many out of its reach. We urge Congress to act quickly to address the challenges with this program and adopt new relief measures that provide robust, equitable and flexible resources for small businesses to navigate this ongoing economic crisis.

If you have any questions regarding these recommendations please contact Joseph Kriesberg, President of MACDC at [joek@macdc.org](mailto:joek@macdc.org) or 617-721-7250.

Sincerely,

- Accion
- African Community Economic Development of New England
- Amplify Latinx
- Asian Community Development Corporation
- Black Economic Council of MA
- Blackstone Valley Chamber of Commerce
- Caritas Communities
- CEDC
- Center for Women & Enterprise
- Chelsea Business Foundation
- Chelsea Chamber of Commerce Charitable Foundation Inc.
- Children's Investment Fund
- CISA (Community involved in Sustaining Agriculture)
- Coastal Community Capital
- Codman Square NDC
- Common Capital
- CommonWealth Kitchen
- Community Development Partnership of Lower Cape Cod
- Cooperative Fund of New England
- DOMUS
- Dorchester Bay Economic Development Corporation
- Downtown Taunton Foundation
- EforAll (Berkshire County, Cape Cod, Holyoke, Lawrence, Lynn, Roxbury, South Coast)
- Entrepreneurship Center @CTI
- Entrepreneurship for All
- Fenway CDC
- Foundation for Business Equity
- Franklin County CDC

- Gloucester Harbor CDC
- Greater New England Minority Supplier Development Council
- Hispanic American Institute
- Home City Development
- Homeowners Rehab Inc
- Initiative for a Competitive Inner City (ICIC)
- Inquilinos Boricuas en Acción (IBA)
- Interise
- Jamaica Plain EDC
- Lawrence CommunityWorks
- Lawrence Partnership
- LISC Boston
- Local Enterprise Assistance Fund
- Lowell Community loan Fund inc, d/b/a Mill Cities Community Investments
- Main South CDC
- MASS MoCA's Assets for Artists
- Massachusetts Association of Community Development Corporations (MACDC)
- Metro West Collaborative Development
- New Bedford Economic Development Council
- NewVue Communities
- North Shore Latino Business Center
- OneHolyoke CDC
- Pittsfield Economic Revitalization Corporation
- RCAP Solutions, Inc.
- Revitalize CDC
- SMOC Financial Services
- Stop and Compare Supermarkets
- The Carrot Project
- TLE Center for Urban Entrepreneurship
- U.S. Haitian Chamber of Commerce, Inc.
- Way Finders, Inc.
- Wellspring Cooperative