



April 28, 2020

Re: Urgent request for dedicated funding for minority-owned businesses in future relief aid under the Paycheck Protection Program (PPP)

We thank President Trump, you, and all members of Congress for approving more funds for the Paycheck Protection Program under the CARES Act. With many Congressional lawmakers already acknowledging that more aid will be needed during this time of unprecedented economic disruption, we are writing on behalf of the organizations named below to ensure the next stimulus relief measure will serve the immediate needs of deeply affected, minority-owned small businesses and does not leave them further behind.

As guidelines under the Paycheck Protection Program (PPP) are updated and more funding negotiated in the next stimulus, we urge you to consider changes to the PPP to provide greater access to needed capital and a dedicated funding source for minority-owned businesses under this program. Without this support, minority-owned businesses, which are already at the tipping point of survival, risk access to critical stimulus funding, further perpetuating wealth inequalities and potentially contributing to small business lending discrimination.

The Paycheck Protection Program Increase Act of 2020 creates a "set-aside" of \$60 billion for smaller Insured Depository Institutions, Credit Unions, and Community Financial Institutions for the PPP. Community Financial Institutions (CDFIs) are defined as minority depository institutions, certified development companies, microloan intermediaries, and State or Federal Credit Unions.

Specifically, the following amounts have been allocated as PPP loans to be made by the following institutions:

- \$30 billion for loans made by Insured Depository Institutions and Credit Unions that have assets between \$10 billion and \$50 billion; and
- \$30 billion for loans made by Community Financial Institutions, Small Insured Depository Institutions, and Credit Unions with assets less than \$10 billion.

We realize the intent of this set aside is to create additional access to PPP funding for minority-owned businesses. Simply allocating these funds to CDFIs and minority financial institutions as a way to expand access broadly for minority-owned businesses will not achieve the desired outcome and not quickly. Without adequate support to build their capacity, CDFIs and minority financial institutions will lack the processing capacity and reach necessary to impact a large number of minority-owned businesses.

In order to reach minority-owned businesses, a dedicated pool of funds must be made available to a broader set of institutions that can process PPP loans at scale. Because the fundamental

flaws of the program were not addressed in this stimulus package, we fear that participating banks will prioritize the roughly 1.6 million already completed applications for the \$250 billion that will now become available. This will be followed by the smaller banks, credit unions, and CDFIs that will then compete for the remaining \$60 billion, but without prioritizing minority-owned businesses. Meanwhile, all those who have already applied for PPP with banks greater than \$50 billion in assets will only hope that their original application gets processed and/or identify and re-apply at a smaller institution. This will further delay their receipt of funding and possibly risk missing the opportunity again.

The most effective solution is a dedicated pool of monies – and preferably in the form of grants, not loans – that can be accessed by minority-owned businesses, regardless of the financial institution submitting them. These monies should be allocated by the U.S. Small Business Administration (SBA) and the U.S. Department of the Treasury.
(<http://www.parsintl.com/eprints/S083658.pdf>)

Small businesses of color are being left behind and we urge you in the next relief measure to:

1. Modify the current language as described above in the PPP to state:

*This section sets aside the \$60 billion for the Paycheck Protection Program **for minority-owned businesses** to be made by **all** Insured Depository Institutions, Credit Unions, and Community Financial Institutions.*

2. Set aside funds in the form of grants, rather than loans, to reduce the debt burden on minority-owned businesses that can benefit from debt-free sources of capital the most.
3. Set aside funds to invest in CDFIs and minority financial institutions to build their capacity to process the influx of applications and expand their reach into underserved communities.
4. Require tracking and disclosure of demographic data (gender, race, and ethnicity) to ensure the PPP is reaching minority-owned businesses.
5. Increase funding to provide robust technical assistance to small business owners of color.

It is critically important that these recommendations get communicated and socialized for when the next appropriation is deliberated, and included in the next funding program. If you have questions regarding this recommendation, please contact:

Betty Francisco, Co-Founder, Amplify Latinx; General Counsel, Compass Working Capital
Email: betty@amplifylatinx.com Phone: (617) 875-6642

Segun Idowu, Executive Director, Black Economic Council of Massachusetts
Email: director@becma.org Phone: (857) 308-4623

Steve Grossman, Former Massachusetts Treasurer; CEO, Initiative for a Competitive Inner City
Email: sgrossman@icic.org Phone: (617) 939-5456

Bob Rivers, Chair and CEO, Eastern Bank
Email: r.rivers@easternbank.com Phone: (617) 897-1031

Thank you,

Betty Francisco
Co-Founder, Amplify Latinx
General Counsel, Compass Working Capital

Steve Grossman
Former Massachusetts Treasurer
CEO, Initiative for a Competitive Inner City

Segun Idowu
Executive Director
Black Economic Council of Massachusetts

Bob Rivers
Chair and CEO
Eastern Bank

The following organizations have signed on in support of this letter as of April 28, 2020:

Nader Acevedo
Executive Vice-President
Hispanic American Institute

Alberto Calvo,
Co-Owner, Stop and Compare Supermarkets
Chelsea and Lynn, MA

Beth Chandler
President and CEO
YW Boston

JD Chesloff
Executive Director
Massachusetts Business Roundtable

Nia K. Evans
Director
Boston Ujima Project

Jen Faigel
Executive Director
CommonWealth Kitchen

Deborah Frieze
Founder and President
Boston Impact Initiative

Peter F. Hurst
President and CEO
Greater New England Minority Supplier Development Council

Glynn Lloyd
Executive Director
Foundation for Business Equity

Iván Espinoza-Madrigal
Executive Director
Lawyers for Civil Rights

Joseph Kriesberg
President
Mass. Association of CDCs

Rosario Ubiera-Minaya
Executive Director
Amplify Latinx

Derek Mitchell
Executive Director
Lawrence Partnership

Grace R. Moreno
Executive Director
Massachusetts LGBT Chamber of Commerce

Gaby King Morse
President and CEO
The Center for Women and Enterprise

Dr. J. Keith Motley
Consultant
Urban League of Eastern Massachusetts

John R. Regan
President & CEO
Associated Industries of Massachusetts

Jose Rentas
President
LABO - Latin American Business Organization

Eneida M. Román, Esq
Co-Founder
Amplify Latinx

James E. Rooney
President & CEO
Greater Boston Chamber of Commerce

Henry M. Thomas III, JD
President/CEO
Urban League of Springfield Inc.

Orlando Watkins
Vice President for Programs
The Boston Foundation