



August 4, 2020

The Honorable Nancy Pelosi
 Speaker
 U.S. House of Representatives
 H-232, The Capitol
 Washington, D.C. 20515

The Honorable Mitch McConnell
 Majority Leader
 United States Senate
 S-230, The Capitol
 Washington, D.C. 20510

The Honorable Kevin McCarthy
 Minority Leader
 U.S. House of Representatives
 H-204, The Capitol
 Washington, D.C. 20515

The Honorable Charles E. Schumer
 Minority Leader
 United States Senate
 S-221, The Capitol
 Washington, D.C. 20510

Dear Speaker Pelosi and Leaders McConnell, Schumer, and McCarthy:

We write to offer support for the Recovery Sector Loan program proposed as part of the small business relief offered in the *Health, Economic Assistance, Liability Protection and Schools (HEALS) Act*. We urge Congress to make important changes to the legislation in order to ensure wider access to the program for small businesses facing insolvency, closure, and layoffs from what has become a prolonged economic crisis due to the Covid-19 pandemic.

According to the U.S. Census Bureau, at the end of June, 44 percent of small businesses expected it to take six months or longer for their business to resume normal operations. An additional 10 percent did not expect to ever fully recover. Taken together, a clear majority—54 percent—of all small businesses are facing an extended crisis for which stop-gap measures are ill-suited. In contrast, only 14 percent of small businesses expected normal levels of activity to resume within three months or less, and that was before the number of Covid-19 cases spiked again in early July. While the Paycheck Protection Program (PPP) was designed as a short-term subsidy primarily for payroll expenses, it is now clear that Congress must recalibrate its response to provide broader relief commensurate with the sustained levels of economic harm and uncertainty business owners are now experiencing.

Section 112 of the *HEALS Act* modifies the Small Business Administration's flagship 7(a) loan guaranty program to allow for 20-year, one-percent interest loans to small businesses facing at least a 50 percent revenue reduction due to Covid-19. As currently drafted, access to the program

is reserved for either seasonal businesses seeking no more than a \$1 million loan or a business that operates primarily in an eligible low-income census tract as defined by the legislation.

We strongly affirm that the structure of the proposed lending instrument—i.e., long-term, very low-interest, waived credit tests, and deferred repayment—is the right approach for businesses who need to weather an extended crisis and the resulting decrease in consumer demand. The proposed 7(a) Recovery Sector Loan Program would fill a crucial gap in current support for small businesses, and serve as a necessary complement to existing government-backed options, such as the short-term assistance offered by PPP or the Economic Injury Disaster Loan (EIDL) program.

However, as currently drafted, the Recovery Sector Loan Program’s narrowly-defined eligibility requirements would bypass the majority of small businesses desperately in need of a lifeline. To remedy this, we urge Congress to lower the revenue loss threshold below the current 50 percent requirement and shorten the time period during which the revenue loss must have occurred to eight weeks versus one quarter. We also recommend broadening the eligibility to any business who meets the size threshold and economic harm standard, regardless of location. However, we also recognize that low-income communities have been disproportionately affected by both the public health crisis and the resulting economic fallout. Therefore, we would support measures to provide additional targeting to small businesses in these communities in the form of set-asides or streamlined eligibility standards.

Small businesses are in the midst of an unprecedented crisis—one that will not subside until the public health crisis is resolved through a widely-available vaccine and effective therapeutic treatments. The time has come for Congress to move beyond stop-gap relief by enacting a program that aligns with the scale and duration of the crisis. We again reiterate our strong support for the terms outlined in the 7(a) Recovery Sector Loan Program and urge your swift action to broaden eligibility for millions more small businesses who need relief in order to survive into 2021 and the years beyond. In a resource-constrained legislative environment, we believe long-term, one-percent loans offer a much more cost-effective way of delivering the appropriate scale of relief to the small business community than other alternatives now being considered.

Thank you for your consideration.

Sincerely,

American Hotel & Lodging Association
American Mold Builders Association
America’s Recovery Fund Coalition
Asian American Hotel Owners Association
Center for American Entrepreneurship
Economic Innovation Group
Engine
Exhibitor Appointed Contractor Association

Exhibition Services & Contractors Association
Experiential Design + Producers Association
Go LIVE Together
Gusto
Independent Payroll Providers Association
International Association of Amusement Parks and Attractions
International Association of Exhibitions and Events
International Council of Shopping Centers
International Franchise Association
National Tooling and Machining Association
NFIB
North American Die Casting Association
Page 30 Coalition
Precision Machined Products Association
Precision Metalforming Association
Small Business & Entrepreneurship Council
Small Business for America's Future
Small Business Majority
Society of Independent Show Organizers
The Payroll Group
U.S. Travel Association

cc: Senator Marco Rubio (R-FL)
Senator Ben Cardin (D-MD)
Representative Nydia Velazquez (D-NY-07)
Representative Steve Chabot (R-OH-01)