

Congress of the United States
Washington, DC 20515

April 15, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd St. SW
Washington, D.C. 20416

Secretary Mnuchin and Administrator Carranza:

Congress authorized the Paycheck Protection Program (PPP) to provide financial support and stability to small businesses affected by the COVID-19 pandemic. Yet we continue to hear from minority-owned businesses that they face structural barriers to acquiring these loans. To ensure equitable access to this program, the U.S. Small Business Administration (SBA) must ensure that minority-owned businesses are not shut out of this program and require lenders to report on the demographics of any PPP lending. We also request that the SBA and Treasury amend guidance on PPP to reaffirm lending institutions' obligation to comply with fair lending laws.

Small business lending discrimination remains a pressing public policy challenge. The Federal Reserve Banks' [2016 Small Business Credit Survey](#) found that of all minority-owned firms approved for loans, only 40 percent received the full amount requested, compared to 68 percent of white-owned firms with similar credit scores.¹ The Minority Business Development Agency (MBDA) reported that minority-owned businesses are less likely to apply for small business loans due to fear of rejection.² Without affirmative attention from policymakers, these disparities likely will repeat in PPP loans.

The Paycheck Protection Program is a first-come, first-served program, leaving those without existing bank relationships or lines of business credit at a major disadvantage. People of color are less likely to be approved for a loan, and when they are approved, it is often for smaller amounts with higher interest rates than those offered to similarly situated white borrowers.³

¹ Federal Reserve Banks, "2016 Small Business Credit Survey: Report on Employer Firms," no. April (2017): 36, <https://www.clevelandfed.org/community-development/small-business/about-the-joint-small-business-credit-survey/2016-small-business-credit-survey.aspx>.

² "Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations Faced by MBEs," *Minority Business Ownership: Characteristics and Issues*, no. January (2011): 79–130.

³ Annual Report to Congress Pursuant to the Equal Credit Opportunity Act, <https://www.justice.gov/crt/publications>.

To that end, we urge you to work with lenders to ensure fair access and require lenders to report on PPP lending to minority-owned businesses relative to their overall lending through the program. This data must include information on loan applicants and outcomes, disaggregated along racial and ethnic lines. Additionally, though issued guidance excludes applicants with criminal history, including those who were charged but never convicted and those who have already served their sentences, nothing in the CARES Act requires this prohibition. This guidance is especially troubling considering the rampant racial disparities in our criminal justice system. This exclusion exacerbates existing inequities in access to credit and lenders should report the number of loans rejected on this basis.

Even as overall business formation fell, minority-owned businesses accounted for half of all new businesses created in the last decade. Between 2007 and 2017, minority-owned businesses managed to grow at ten times the rate of all small businesses, dispelling any notions about their viability⁴. The success of minority-owned businesses in the face of structural discrimination only underscores the necessity of fair lending laws and the duty to enforce them.

Unfortunately, the [interim final rule](#) issued by SBA makes no mention of protections like the Equal Credit Opportunity Act (ECOA) or the Truth in Lending Act (TILA), raising doubts about the Administration's commitment to enforce fair lending laws essential to protecting small businesses seeking to participate in the PPP. We urge you to revise the interim final rule to reaffirm that fair lending protections apply to PPP loans.

As we work to secure additional funding for the survival of small businesses across the country, it is crucial that we can verify the accessibility of federal assistance to all eligible companies. Without stringent reporting, we can neither confirm racial disparities nor correct any exclusionary lending practices under the Paycheck Protection Program. The story of minority-owned businesses struggling to access capital is the story of banking practices that too often exclude people of color as potential customers. A federally guaranteed loan program must not do the same. We urge you to move forward with the data transparency and fair lending protections outlined in this letter, and we request a response by April 23, 2020.

Thank you,

Ayanna Pressley
Member of Congress

Kamala D. Harris
U.S. Senator

Gregory W. Meeks
Member of Congress

Sherrod Brown
U.S. Senator

Nydia M. Velázquez
Member of Congress

Charles E. Schumer
U.S. Senator

⁴ Jared Weitz, "Why Minorities Have So Much Trouble Accessing Small Business Loans," Forbes, January 22, 2018, <https://www.forbes.com/sites/forbesfinancecouncil/2018/01/22/why-minorities-have-so-much-trouble-accessing-small-business-loans/#6ad335c055c4>.

Grace F. Napolitano
Member of Congress

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Dianne Feinstein
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Mazie Hirono
U.S. Senator

Robert P. Casey, Jr.
U.S. Senator

Elizabeth Warren
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Amy Klobuchar
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Jacky Rosen
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Tammy Duckworth
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Joyce Beatty
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Vicente Gonzalez
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Alcee L. Hastings
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Jennifer Wexton
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Val B. Demings
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Michael F. Bennet
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