

April 17, 2020

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

Dear Madam Speaker:

As you know, the Payroll Protection Program ran out of money yesterday. Over the course of two weeks, loans totaling \$339 billion were approved for more than 1.6 million small businesses, nonprofits, veterans' organizations, tribal businesses, sole proprietors, and independent contractors.¹ Thousands of additional small businesses remain in the queue. The demand for loans through the PPP demonstrates it is the most successful aspect of the CARES Act and has become a lifeline for America's small businesses. Just as it was intended. Yet you and other Democrats are jeopardizing paychecks for millions of small business employees by attaching conditions to additional funding for the program.

Yesterday, you invoked Democrats' record on supporting small businesses. You said, "It's not that we don't share the values of small businesses, we do, we have been their champions."² Madam Speaker, America's small businesses are pleading for additional PPP funding. For example:

- More than 250 national, state, and local trade organizations signed a letter to congressional leaders that said, "Please act now to authorize additional funding for the Paycheck Protection Program so that these vital loans can continue to ensure that additional workers are able to keep their jobs and small businesses are able to avoid bankruptcy."³
- Brad Close, president of the National Federation of Independent Business, the largest group representing small businesses in the country, said "America's small businesses are on the brink, trying desperately to keep their doors open and support their employees."⁴

¹ Mark Niquette and Jennifer Jacobs, *Small Business Relief Funds Drained Fast With Many Shut Out*, BLOOMBERG, Apr. 16, 2020.

² Zachary Warmbrodt, Burgess Everett, and Heather Caygle, *Small business fund expires with deal out of reach this week*, POLITICO, Apr. 16, 2020.

³ Letter to Hon. Nancy Pelosi et al. (Apr. 15, 2020), https://www.icba.org/docs/default-source/icba/advocacy-documents/letters-to-congress/20-04-15_jointltrppp.pdf?sfvrsn=36cc2a17_0&utm_source=informz&utm_medium=email&utm_campaign=informz&_zs=MJ2Gb&_zl=nDB42 (last accessed Apr. 16, 2020).

⁴ Niquette and Jacobs, *supra* note 1.

- Richard Hunt, president and chief executive officer of the Consumer Bankers Association, said “The millions of men and women who work at America’s small businesses and their families are battling a health crisis while also facing an economic crisis unless Congress authorizes additional funds for this program.”⁵
- Rebeca Romero Rainey, president and chief executive officer of the Independent Community Bankers of America, wrote “There is high demand for PPP credit, a critical investment in preserving our small businesses and the employees that rely on them.”⁶

In addition to your objections, other senior Democrats refuse to fund PPP based on concerns about transparency and the availability of data. The data that is currently available, however, demonstrate those concerns are insufficient to justify exposing millions of workers to unemployment.

For instance, Small Business Committee Chairwoman Nydia Velazquez said a lack of data over who is receiving the loans “has left unanswered questions as to whether taxpayer funding is going to those the program was intended to serve. Before Congress allocates billions of additional dollars, the administration must show a greater commitment to transparency.”⁷

In fact, the SBA released a trove of PPP data this week. The data as of April 13, 2020 show small businesses in the manufacturing and health care/social assistance sectors were approved for more than \$58 billion in loans, or nearly one-quarter of the total approved dollars as of that date.⁸ According to the North American Industry Classification System (NAICS), those sectors include businesses that manufacture medical equipment and pharmaceuticals,⁹ and establishments providing health care and social assistance for individuals, among many other important businesses.¹⁰

The data also show nearly 4,700 lenders have approved PPP loans,¹¹ which means many businesses successfully applied for PPP loans through smaller community banks. As more community banks have become certified for PPP lending, the program has expanded to reach every state and territory.¹² Most of the approved loans—nearly 55,000—are approved for businesses based in California.¹³

⁵ *Id.*

⁶ Letter from Ms. Rebeca Romero Rainey, ICBA, to Hon. Nancy Pelosi et al. (Apr. 14, 2020), https://www.icba.org/news/news-details/2020/04/14/icba-recommendations-for-covid-19-new-legislation?utm_source=informz&utm_medium=email&utm_campaign=informz&_zs=MJ2Gb&_zl=mDB42 (last accessed Apr. 16, 2020).

⁷ Warmbrodt, Everett, and Caygle, *supra* note 3.

⁸ SBA Payroll Protection Program (PPP) Report, Approvals Through 4/13/20 (Apr. 14, 2020), <https://content.sba.gov/sites/default/files/2020-04/PPP%20Report%20SBA%204.14.20%20-%20Read-Only.pdf> (last accessed Apr. 16, 2020).

⁹ NAICS Sector 32: Manufacturing.

¹⁰ NAICS Sector 62: Health Care and Social Assistance.

¹¹ PPP Report at 2, *supra* note 9.

¹² *Id.* at 3.

¹³ *Id.*

Simply put, the data show banks of all sizes are providing a lifeline to workers at small businesses across America. But there are many more who need help.

Moreover, the lapse in PPP funding will harm the most vulnerable enterprises. On April 15, 2020, Citigroup, JPMorgan Chase, and Bank of America provided data that show the nation's largest financial institutions are focused on ensuring PPP and other relief loans are available to a diverse group of people and entities. For example, Citigroup received nearly 500 applications from not-for-profit clients including churches, skills training programs, and schools for people with special needs and at-risk students.¹⁴ JPMorgan Chase is setting up a new program to focus on underserved entrepreneurs, including women and racial/ethnic minority owners and hardest hit communities.¹⁵ Bank of America is conducting extensive outreach to small business clients in low and moderate income (LMI) neighborhoods to raise awareness about PPP loans.¹⁶

Democrats' concerns about transparency are further premature. The PPP data cited above was released voluntarily by SBA in compliance with CARES Act reporting requirements. Indeed, there is no evidence that any agency has failed to meet its statutory obligation to provide information to Congress to date. An unprecedented array of entities dedicated to CARES Act transparency and accountability will come online soon, including a special inspector general, a bicameral congressional oversight commission, the Pandemic Response Accountability Committee of inspectors general, and a Democrat-led special committee of the House of Representatives, all in addition to the inspectors general already in place at the relevant agencies.

To hold up PPP funds over concerns about transparency represents an extraordinary and reckless absence of faith in these myriad oversight bodies, one of which you created unilaterally.

The Payroll Protection Program has proven to be a vital tool in the federal strategy to support the economy and support workers during the COVID-19 pandemic. The need for PPP loans is as urgent now as it was two weeks ago when the program started, except that the queue now disproportionately consists of small, family-owned, and independent businesses and independent contractors. With all due respect, I urge you to reconsider and move quickly to protect small businesses and their employees by funding the Payroll Protection Program.

Sincerely,



Patrick McHenry
Ranking Member

¹⁴ Letter from David Chubak, Head of U.S. Retail Banking, Citigroup, to Hon. Maxine Waters and Hon. Nydia Velazquez (Apr. 15, 2020).

¹⁵ Letter from Jason Rosenberg, Head of U.S. Gov't Relations, JPMorgan Chase & Co., to Hon. Maxine Waters and Hon. Nydia Velazquez (Apr. 15, 2020).

¹⁶ Letter from John Collingwood, Dir., Fed. Gov't Relations, Bank of America, to Hon. Maxine Waters and Hon. Nydia Velazquez (Apr. 15, 2020).