<u>Key Small Business Improvements in the Interim COVID-19 Legislation</u>

In the *Paycheck Protection Program and Health Care Enhancement Act* (the "interim" COVID-19 bill), Democrats prioritized and secured key fixes to expand access to assistance for the nation's small businesses. We have heard from small business owners across the country who, because they didn't have a preexisting relationship with a larger bank or because the lender in their community is not participating in the program, have been unable to access PPP funding. It's important to note that Democrats insisted on—and secured—critical improvements to better address the needs of rural, minority-owned, and underbanked businesses, including:

- **Additional Funding & Reforms to PPP:** $310 billion in additional lending authority for PPP with key reforms to expand access to more small businesses and better serve the needs of unbanked and underserved small businesses and nonprofits. This includes:
    - **$60 Billion Set-aside for Smaller Lenders:** A $60 billion set-aside within PPP for small and mid-sized banks and credit unions as well as community-based lending institutions. Most importantly, this set-aside funding will help ensure that unbanked and underserved businesses can get access to PPP. This includes minority-owned businesses, rural businesses, small mom and pop businesses, and smaller nonprofits that too often have been pushed to the back of the line in the program.

      The set-aside is broken down as follows:
        - **$30 Billion to Community-Based Lenders:** $30 billion will be dedicated to community-based lenders, specifically including Community Development Financial Institutions (CDFIs), Minority Depository Institutions, SBA microlenders, and certified development companies/SBA 504 lenders, as well as the smallest credit unions and banks with assets under $10 billion.
        - **$30 Billion to Small & Mid-Sized Lenders:** $30 billion will be dedicated to small and mid-sized credit unions and banks with assets between $10 billion and $50 billion.

  These small and community-based lenders have a long track record of expanding access to capital for underserved businesses.
    - **Community Development Financial Institutions:** CDFIs are mission-driven lenders certified by the Treasury Department's Community Development Financial Institutions Fund. There are more than 1,000 CDFIs, providing financial assistance to underserved business and communities across every state. 75 percent of CDFI lending is targeted to serving high poverty communities and underserved populations. Since 2009, more than 43,000 minority-owned and 30,000 women-owned businesses have received direct assistance from CDFI.
    - **Minority Depository Institutions:** MDIs are federally-insured banks and credit unions that provide a significant portion of their lending to communities of color. The vast majority of these institutions have assets under $1 billion. Many of them – and their clients – struggled to compete with the speed with which larger financial institutions were able to access PPP funding. Only about half of the FDIC-recognized MDIs were active lenders within the 7(a) program in Fiscal Year (FY) 2019, indicating a significant number of MDI clients that will now be able to be fully included in PPP.

    - **Microlenders:** The SBA's Microloan Program supports nonprofit, community-based lending intermediaries. These intermediaries prioritize lending and technical assistance to underserved small businesses and proportionally serve more women and minorities than SBA's other loan programs. In FY2019, Microloan intermediaries provided over 5,500 microloans totaling $81.5 million to these businesses.
    - **Nonprofit Certified Development Companies:** CDCs are authorized under the SBA's 504 loan guaranty program and help to expand access to capital for growing small businesses and spur local economic development, with a mandate to create or retain local jobs. In FY2019, the SBA approved over 6,000 504/CDC loans amounting to nearly $5 billion.

- **$60 billion for SBA's Economic Injury Disaster Loan (EIDL) and Emergency Economic Injury Disaster Grant program.** These emergency programs provide flexible assistance to small businesses to cover operating expenses, including payroll and fixed costs like rent and utilities. These programs are facing the same demand as PPP. In fact, the SBA announced that they were no longer able to accept new applications for either based on available appropriations funding. Funding for each program includes:
    - **Additional $50B for the EIDL program:** $50 billion in EIDL program subsidy that will support over $350 billion in new disaster loans directly from SBA; and
    - **Additional $10B in EIDL Grants:** $10 billion for the Emergency Economic Injury Disaster Grant program to provide up to $10,000 as a cash advance to provide immediate relief for operating expenses for small businesses and nonprofits that apply for an EIDL. The cash advance does not have to be paid back.

- **Farmers and other agricultural enterprises are now eligible for the EIDL program.**
    - The agreement adds agricultural enterprises under 500 employees as an eligible recipient for grants of up to $10,000 and low-interest loans of up to $2 million through the SBA's Economic Injury Disaster Loan Program.
    - There has been a demand from the agricultural community for SBA to change its rules so agricultural enterprises would be eligible for the SBA's EIDL program and the new EIDL grant program, but no such rule change has happened.
    - The interim emergency bill proposed by Democrats called for this key fix to support the nation's farmers, which would not have happened under the Republican proposal that would have solely increased funding for PPP.

- **$2.1 billion in new funding is provided for staff and other expenses to support the SBA's programs assisting small businesses impacted by COVID-19.**