

Congress of the United States
Washington, DC 20515

May 1, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
US Small Business Administration
409 3rd St, SW
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza:

We are writing to express our concern that large private equity firms are looking for loopholes in the Coronavirus Aid, Relief, and Economic Security (CARES) Act to gain access to funding that is intended to be set aside for small businesses and their employees. This is especially important to communities of color and other vulnerable communities since the latest data shows that COVID-19 is impacting Latino, black and LGBTQ communities at significantly higher rates¹². Diverting any federal assistance from small businesses, especially those in more vulnerable and socio-economic disadvantaged communities, to line the pockets of private equity is unacceptable. Therefore, we urge your full and fair consideration of refusing to change SBA affiliation rules for private equity firms and barring any federal bailout for bonds that had junk status as of March 1, 2020.

The CARES Act provided an initial \$349 billion for the creation of the Paycheck Protection Program (PPP) to cover payroll costs during the COVID-19 pandemic. Due to limited federal funds and extremely high demand, funding for PPP quickly ran out, creating pressure for small businesses to lay off employees. Layoffs due to COVID-19 are impacting Latino and black families at higher rates, with nearly 61% of Latino households and 44% of black households reporting a pay cut or job loss³.

We must ensure that our vulnerable small businesses, not large private equity firms, are able to *fully* access this relief. To accomplish this, we urge your full and fair consideration of these protections as you continue to implement the relief programs:

1. **SBA Affiliation Rules:** Eligibility for loan forgiveness provisions in PPP is reserved for small businesses with 500 or fewer employees. Various reports indicate that private equity firms are looking to change the “affiliate” rules to have access to federal funds for portfolio companies they’ve bought or leveraged. These funds are intended to be available for legitimate small businesses and their employees and should not be accessible to large private equity firms. However, if an exception to the “affiliate” rule is considered, it should be limited to authentic small business venture capital start-ups and observe strict limits on the use of federal funds for dividends and stock buybacks.
2. **Limited Federal Bailout:** Non-investment grade bonds, also known as junk bonds, are high risk bonds and have been typically issued by private equity firms when buying companies. This category of bonds should not be accessible for federal government bailout and we ask that you bar any federal bailout for bonds that had junk status as of March 1, 2020.

Small businesses are the economic engine of this country and it is essential that we protect them by ensuring large private equity firms are not taking away any relief intended for their recovery during the COVID-19 pandemic.

¹ <https://www.vox.com/2020/4/17/21225610/us-coronavirus-death-rates-blacks-latinos-whites>

² <https://cancer-network.org/coronavirus-2019-lgbtq-info/>

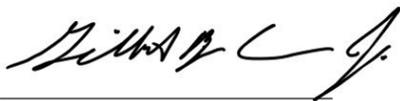
³ <https://www.reuters.com/article/health-coronavirus-usa-minorities/coronavirus-related-job-losses-hit-us-black-hispanic-families-hardest-studies-find-idUSL2N2C90UE>

Our minority small business owners and their employees are depending on this funding and we must do what we can to protect Latino, black and LGBTQ communities, especially during this great time of need. That is why we urge your full and fair consideration of refusing to change SBA affiliation rules for private equity firms and barring any federal bailout for bonds that had junk status as of March 1, 2020. We appreciate your time and consideration of this important issue.

Sincerely,



Darren Soto
Member of Congress



Gilbert R. Cisneros, Jr.
Member of Congress



J. Luis Correa
Member of Congress



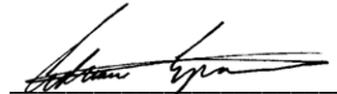
Henry Cuellar
Member of Congress



Nanette Diaz Barragán
Member of Congress



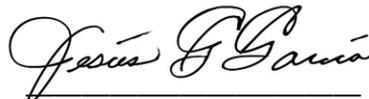
Veronica Escobar
Member of Congress



Adriano Espaillat
Member of Congress



Ruben Gallego
Member of Congress



Jesús G. "Chuy" García
Member of Congress



Vicente Gonzalez
Member of Congress



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