



May 12, 2020

Tennessee Congressional Delegation:

On March 27th Congress passed the CARES Act legislation that created an expedited process for Treasury and the SBA to support small businesses and their employees with a \$350 billion stimulus program through the Paycheck Protection Program. At that time most Americans felt, as Congress seemingly did, that the COVID-19 pandemic would cause a temporary economic interruption. However, in just the past month, it's become clear that the virus's impact on small businesses has far exceeded initial assumptions. Treasury and SBA must now act to expand the PPP's criteria for forgiveness of the loans to account for the virus's drastic and extended impact on small businesses.

Small businesses need assurance from the Treasury and SBA that if their loans are being used for payroll, mortgage interest and utilities, they will receive forgiveness. The current guidelines put forth by Treasury are too restrictive for Tennessee's businesses to receive full forgiveness for these loans.

Treasury should revisit the forgiveness terms of the PPP. Due to the prolonged economic crisis and the impact of phased reopening with restrictions on capacity and operating procedures, many business owners will not be able to meet the payroll levels required for achieving forgiveness despite their best efforts to meet those requirements.

The TBA recommends the following changes to the PPP and the Main Street Lending Program:

- Reduce the requirement that 75 percent of PPP loan proceeds must be spent on payroll. While supporting employees is the objective, small businesses need to be able to use more than 25 percent of the loan amount for nonpayroll business expenses, such as rent and utilities, so they may reopen as soon as it is deemed safe for them to do so.
- Expand the eight-week period in which funds must be deployed in order to be forgiven. With the prolonged shelter in place standards and extended rollout of the PPP funds, eight-weeks is not a sufficient length of time for returning to normal operations. Thus, the PPP's current deadline to meet payroll requirements by June 30 should be extended to August 31.
- Coordinate with the Federal Reserve to reduce the minimum loan size and extend repayment terms under the Main Street Lending Program. Because of the duration of the pandemic and a recovery of non-normal slope, businesses will require both short-term and longer-term financial assistance. The minimum loan under the Main Street Lending Program should be reduced to \$100,000 and repayment terms should be increased from four years to between seven to ten, depending on circumstances. With an extended duration, PPP can provide a short-term bridge while the Main Street Lending Program is more appropriate for the longer-term needs of small businesses.

Leadership during a crisis requires on-going assessment of available information and feedback. In this case, businesses are now more pessimistic about the nature of recovery than they were just several weeks ago when the CARES Act was passed. Public policy should adjust to the realities, market forces, and circumstances at reasonable intervals.

Sincerely,

Colin Barrett

President/CEO