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RICHARD GUMBRECHT,
SECURED FINANCE NETWORK

March 31, 2020

Via E-Mail:

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

The Honorable Steven T. Mnuchin
Main Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

RE: Explicit Eligibility for Financial Services Firms for Paycheck Protection Program under CARES Act

Dear Secretary Carranza and Secretary Mnuchin:

The Secured Finance Network (formerly known as the Commercial Finance Association) (“SFNet”) is the international trade organization founded in 1944 representing the asset-based lending, factoring, trade and supply chain finance industries, with 1,000 member organizations throughout the United States. Our network of Secured Lenders, Finance Companies, Service Providers and others do the essential work of providing capital that fuels our nation’s economy.

The \$4.1T secured finance industry underpins, either directly or indirectly, about one-fifth of the transaction volumes that make up the \$20 trillion US gross domestic product. We estimate the number of those directly employed in either providing or supporting secured financing activity is approximately 60,000 individuals at over 5,000 commercial banks and another approximately 1,500 non-depository lenders across the US.

Secured transactions provide financing to over 1 million US commercial entities, ranging from single-employee firms to large corporate and public enterprises. Roughly one-third of the approximately 4.6 million firms in the US with at least two employees directly feel the impact of secured finance. And the benefits affect not only the enterprises, but also more broadly their employees, customers, communities and the economy as a whole.

SFNet appreciates the extraordinary efforts being undertaken by the United States Treasury Department and the Small Business Administration to provide capital to companies impacted by these unprecedented times and thanks you for your expansive view of businesses eligible for the Paycheck Protection Program under the CARES Act. As you prepare to implement regulations in support of this relief effort, we have three specific requests.

First, so there should be no misinterpretation of the statute or its intention, we request that the regulations expressly articulate eligibility under the Paycheck Protection Program of non-depository lenders who extend economic lifelines to small businesses and are themselves now under financial stress. This potential source of interim financing may assist struggling small independent financial services companies that may otherwise be forced to cease or curtail operations that support the companies the Treasury and the SBA dutifully seek to protect.

Should uncertainty as to the ability to access this program result in non-participation of this important cohort, negative consequences could ripple through the lenders and the service providers supporting them to the businesses they collectively fund. This domino effect could result in as many as 50,000 lost jobs for each 1,000 small businesses impacted. The direct and induced effect of such job loss would exceed \$10B per thousand companies. The benefit of clarifying this eligibility would alleviate any perceived ambiguity, mitigate economic hardship and strengthen this critical part of the capital supply chain.

Second, given the benefits of the program to the small business borrowers our members finance, we request that care be given to ensure regulations required for SBA lenders to provide these loans result in a process as streamlined and easy to access as possible.

Finally, many of our members may want to become approved SBA lenders to provide loans under the program. To that end, we urge the SBA and Treasury to simplify the process for approval so lenders may help respond to the significant need for these loans and fulfill the purpose of the program in providing timely relief to small businesses in need.

Thank you for your consideration of our concerns and for your continued support of our country during these unprecedented times. If you have questions regarding this urgent request for critically needed action I may be reached at rgumbrecht@sfnet.com or 212.792.9391.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Gumbrecht', with a stylized flourish at the end.

Richard D. Gumbrecht
CEO
Secured Finance Network

cc.

The Honorable William Manger
Chief of Staff
US Small Business Administration
409 3rd St, SW
Washington DC 20416