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RICHARD GUMBRECHT,
SECURED FINANCE NETWORK

April 6, 2020

Via Email:

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

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

RE: Docket No. SBA-2020-0015. Request for Explicit Eligibility of Non-Bank Lenders for Paycheck Protection Program under Interim Final Rule

Dear Secretary Mnuchin and Administrator Carranza:

On behalf of the \$4 trillion secured finance industry, I am writing to ask you to reconsider your decision to exclude small non-bank lenders from eligibility to be borrowers under the Paycheck Protection Program (“PPP”) Interim Final Rule.

These non-depository lenders extend economic lifelines to small businesses and are themselves now under financial stress. Congress clearly indicated that they wanted this program to apply to, “all businesses,” when they specifically included this language in the statute. The potential source of interim financing afforded under this program will undoubtedly assist struggling small independent financial businesses that may otherwise be forced to cease or curtail operations that support the companies – and their employees – the Treasury and the SBA seek to protect. By providing funds to

small finance companies for payroll costs and the other costs subject to the program, the impact of the PPP will be amplified by the support that these lenders can in turn provide to the small businesses that the PPP is designed to assist.

The Secured Finance Network (formerly known as the Commercial Finance Association) (“SFNet”) is a leading 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. Additional background on SFNet’s scope and impact is included in the attached initial letter to your offices on this matter, dated March 31, 2020.

As a result of incorporating the exclusions from the traditional SBA 7(a) program, set forth in 13 CFR 120.110(b) into the PPP Interim Final Rule, small independent lenders, whose primary purpose is providing loans and other financial services to small businesses, are not eligible to receive funds under the PPP. As highlighted in SFNet’s letter of March 31st, small finance companies including asset based lenders and factors are experiencing significant stress due to payment deferrals and reduced demand from their customers. Now, as a result of that decline in revenue, they may need to reduce their workforce, because they are ineligible for the PPP as the rule is presently stated.

Whatever policy rationale exists for Section 120.110(b)’s exclusion of small lenders from being eligible to obtain “regular” Section 7(a) loans is not applicable to PPP 7(a) loans. In fact, the policy behind PPP warrants such lenders being potentially eligible borrowers of PPP loans like the other small businesses they serve. These small finance companies are exactly the types of businesses that will be needed to get the economy back on track as the crisis abates. We do not believe the Economic Injury Disaster Loans (EIDL) are an acceptable substitute for the PPP. These loans, which must be paid back in their entirety would more likely result in small finance company decisions to reduce payroll rather than taking on significant debt in times of economic uncertainty.

The extraordinary circumstances of this program warrant immediate administrative action to ensure clear guidance and economic relief is provided to America’s small businesses including small finance companies who are an integral part of this supply chain. We strongly urge you to permit small finance companies to be eligible PPP borrowers as this is completely consistent with the policy behind this measure. Thank you again for your consideration and 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 horizontal line extending to the right.

Richard D. Gumbrecht
CEO
Secured Finance Network

COPY OF LETTER DATED 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 horizontal line extending to the right.

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