

December 8, 2020

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Kevin McCarthy  
Republican Leader  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Charles E. Schumer  
Democratic Leader  
United States Senate  
Washington, D.C. 20510

Dear Speaker Pelosi and Leaders McConnell, Schumer, and McCarthy:

We are writing to ask that Congress extend the CARES Act Section 1112 payments (the Small Business Debt Relief Program) as part of the end-of-year relief package to ensure that critical economic assistance remains accessible to the community businesses the program was intended to support when the pandemic first laid siege to our country. The program provided immediate and crucial relief to roughly 300,000 SBA small businesses before eligibility for new borrowers' sunset on September 27th<sup>1</sup> and these payments should be extended for both existing and new borrowers in order to expend the remaining funds already appropriated by Congress for Section 1112 payments.

The CARES Act (PL 116-136) authorized and funded the Section 1112 payments, directing the SBA to provide six-months of debt relief to business borrowers with a 7(a), 7(a) Community Advantage (CA), 504, or Microloan<sup>2</sup> in regular servicing status when the CARES Act became law or any business that received an SBA loan during the 6-month period after enactment. In accordance with the law, the SBA paid six-months of principal, interest, and any fees owed on a covered loan and in doing so provided a much needed reprieve to some of our most vulnerable small businesses. By the very nature of having a SBA loan, the businesses targeted for Section 1112 payment assistance have demonstrated need for SBA financing and/or encountered barriers accessing capital on reasonable terms from non-federal sources.

In addition to stabilizing small businesses, Section 1112 payments provided SBA lenders (microlenders, CDCs, and traditional and CA 7(a) lenders) time to work with and help their business borrowers adapt and retool for the post-COVID economy. In short, the Section 1112 payments helped avert an even greater economic catastrophe by helping lenders as well as main street businesses and entrepreneurs weather the pandemic storm.

When the CARES Act was drafted, it was impossible to predict how long the pandemic would continue to impact the country's economy and providing six-months of payments was a starting point. Unfortunately, the pandemic has raged on and is expected to become more acute as we move into the first quarter of 2021 and small business in urban and rural communities across the country continue to struggle due to circumstances and market uncertainties beyond their control.

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<sup>1</sup> CARES Act was signed into law on March 27, 2020 and any SBA loan made on or before September 27, 2020 was eligible for Section 1112 payments. Businesses with eligible SBA loans made on or before September 27<sup>th</sup> will continue to receive payments for 6-months.

<sup>2</sup> Paycheck Protection Program loans and Economic Injury Disaster Loans are not eligible for Section 1112 payments.

In response, we urge Congress to include the “Small Business Debt Relief Extension Act” (S. 4676/H.R. 8376), in the next legislative package considered by this Congress. This legislation, championed by Senators Coons and Cardin, and Representative Delgado, would extend Section 1112 payments, ensure that all eligible SBA borrowers can access the benefits as intended by Congress, and provide additional support to those businesses hardest-hit by COVID-19 including underserved and underbanked business owners. Extending Section 1112 payments as proposed would not add to the cost of the recovery package but rather would ensure that unused funds already appropriated for Section 1112 payments and available through FY 21 would be used as Congress intended. Taking into account payments and commitments made to date, it has been reported that \$9 billion of the original \$17 billion appropriated for Section 1112 payments remain available.

The economic uncertainty stoked by the pandemic continues to impact the ability of small businesses across the country to survive these difficult times. We urge Congress to act expeditiously to extend Section 1112 payments as proposed in the Small Business Debt Relief Extension Act. In doing so, we believe Congress will be able to preserve thousands of small businesses and jobs that make up the foundation of our nation's economy. Thank you for your consideration and we look forward to working together.

Sincerely,

African American Alliance of CDFI CEOs  
American Bankers Association  
Americas SBDC  
Association for Enterprise Opportunity  
Association of Women’s Business Centers  
CDFI Coalition  
Community Reinvestment Fund, USA  
Friends of the SBA Microloan Program  
International Franchise Association  
Mission Lenders Working Group  
National Association of Development Companies (NADCO)  
National Association of Government Guaranteed Lenders (NAGGL)  
National Association of Latino Community Asset Builders (NALCAB)  
National Restaurant Association  
Opportunity Finance Network (OFN)  
Page 30 Coalition  
Small Business Majority  
U.S. Black Chambers, Inc.  
U.S. Hispanic Chamber of Commerce

cc:

The Honorable Marco Rubio  
The Honorable Ben Cardin  
The Honorable Nydia Velázquez  
The Honorable Steve Chabot