

JUDY CHU, Ph.D.
27TH DISTRICT, CALIFORNIA
WASHINGTON OFFICE:
2423 Rayburn House Office Building
Washington, DC 20515
(202) 225-5464
(202) 225-5467 (Fax)
PASADENA DISTRICT OFFICE:
527 South Lake Avenue, Suite 250
Pasadena, CA 91101
(626) 304-0110
(626) 304-0132 (Fax)



Congress of the United States
House of Representatives
Washington, DC 20515

**COMMITTEE ON
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ECONOMIC GROWTH, TAX, AND CAPITAL ACCESS
**COMMITTEE ON
THE BUDGET**

May 3, 2021

The Honorable Isabel Guzman
Administrator
U.S. Small Business Administration
409 3rd Street SW
Washington, DC 20416

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20510

Dear Administrator Guzman and Secretary Yellen:

I write to urge your immediate action to address racial disparities in the administration of the Paycheck Protection Program (PPP). PPP has been among the most impactful interventions in response to the COVID-19 pandemic, and has helped millions of small businesses to keep their doors open through this crisis. But evidence that minority businesses have not been provided the opportunity to participate at the same level as white-owned firms demands our immediate attention. Without comprehensive analysis of the program's performance in communities of color, we cannot make targeted interventions to ensure full participation of underserved businesses, and our long-term recovery will not succeed.

In establishing the PPP, the CARES Act (P.L. 116-136) instructed the Small Business Administration (SBA) to ensure the program rules prioritize underserved and rural markets, including businesses owned and controlled by racial minorities.¹ But when PPP launched in April 2020, the Trump Administration issued no such guidance and instead allowed big banks to restrict participation to their incumbent clients, turning away business owners without preexisting banking relationships and overwhelming the small community lenders that were accepting applicants on a first-come, first serve basis. Further, by not collecting demographic data on the initial loan application, SBA and Treasury were not able to track whether loans were penetrating underserved markets.

As Chair of the Small Business Subcommittee on Oversight for the 116th Congress, I heard repeatedly from independent investigators, including the Inspector General (IG) and the Government Accountability Office, that SBA under the Trump Administration was not taking seriously its responsibility to reach underserved businesses. SBA IG Hannibal "Mike" Ware concluded that SBA's publicly reported and loan-level PPP data was inaccurate and incomplete, and that guidance was not sufficient to ensure PPP lenders prioritized underserved markets

¹ P.L. 116-136

during the initial round of funding.² Unfortunately, the last Administration never took these concerns seriously and failed to fully analyze and report on the program's performance in underserved markets.

Congress has taken repeated steps to improve PPP's reach in underserved markets, including by creating set-aside lending authority for Community Financial Institutions and establishing the Community Navigators Pilot Program to connect vulnerable businesses with pandemic assistance. But without loan-level, disaggregated data that reports on program participation in racial and ethnic minority communities, we cannot accurately target our response to address inequities.

And now, we have more evidence that the program is failing to adequately serve the most vulnerable businesses. According to data reported in the *Los Angeles Times*, PPP assistance has gone overwhelmingly to businesses in white-majority communities. In Los Angeles, "businesses in majority-white neighborhoods received loans at twice the rate that majority-Latino census tracts received, 1.5 times the rate of businesses in majority-Black areas and 1.2 times the rate in Asian areas."³

I recognize President Biden's and your commitment to reaching underserved businesses and thank you for your actions to strengthen and improve the program. But this is a challenge that we must address immediately. I urge you to conduct and report a comprehensive analysis of PPP's performance in racial and ethnic minority communities and develop a plan to increase participation and outreach to underserved markets. I look forward to working with you to accomplish this goal, and thank you for your immediate attention.

Sincerely,

A handwritten signature in black ink that reads "Judy Chu". The signature is written in a cursive, flowing style.

Judy Chu
Member of Congress

² U.S. Small Business Administration, Office of Inspector General, Report Number 21-07, Inspection of Small Business Administration's Initial Disaster Assistance Response to the Coronavirus Pandemic (2021)

³ <https://www.latimes.com/california/story/2021-05-01/ppp-loans-coronavirus-pandemic-businesses-trump>