

United States Senate

WASHINGTON, DC 20510

April 27, 2020

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

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

Dear Chairman Powell and Secretary Mnuchin:

Thank you for your ongoing work to help stabilize the U.S. economy and provide assistance to businesses and workers during the unprecedented health emergency caused by the onset of the novel coronavirus (COVID-19). We appreciate your continued efforts to implement the various economic support programs Congress enacted as part of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*. As the Federal Reserve and Treasury move forward with these efforts, we believe it is critical to ensure that minority and low- and moderate-income (LMI) communities get proper access to the critical assistance made available under the *CARES Act* and the recently enacted *Paycheck Protection Program and Health Care Enhancement Act (PPP Enhancement Act)*.

As you know, the public health and economic effects of the COVID-19 outbreak have been particularly disproportionate and severe for LMI and minority communities. Congress took important first steps to help address the acute impact being felt in these communities by passing the *PPP Enhancement Act*. This legislation includes important set-asides for community and mission oriented lenders. In order to help better achieve the goals of the *PPP Enhancement Act* and increase the flow of credit directly into minority and LMI communities, we urge you to take the following steps:

- (1) allocate a significant portion of the \$30 billion in new funds made available under the *PPP Enhancement Act* for minority depository institutions (MDIs) and mission-oriented lenders like community development financial institutions (CDFIs);
- (2) provide these institutions with direct access to the Federal Reserve's Paycheck Protection Program Lending (PPPL) Facility;
- (3) to the extent practicable, modify the settlement timeline for the PPPL Facility from T+1 to T+0 (or same day settlement) to ensure adequate liquidity for these institutions; and
- (4) indemnify these institutions from any put-backs or invalidation of guarantee from the SBA absent lender fraud.

In addition, we strongly urge you to work through the regional Federal Reserve Banks in order to conduct advance outreach to these institutions with the goal of facilitating uptake of the PPPPL Facility. This includes providing the training and tools necessary to quickly access and utilize these important programs.

MDIs and CDFIs are effective gateways to serving LMI communities and minority households and communities with high concentrations of minority populations. Data indicates that MDIs tend to serve communities in which a higher share of the population lives in LMI census tracts and a higher share of residents are minorities, compared with non-MDI banks. In addition, MDIs tend to originate a greater share of their mortgages for properties in LMI census tracts and to minority borrowers when compared with non-MDI community banks. Compared with non-MDIs, MDIs also originate a greater share of SBA 7(a) loans to borrowers in LMI census tracts and to borrowers in census tracts with higher shares of minority residents.¹ Similarly, CDFIs have demonstrated a strong track record of success in reaching LMI and minority communities.

Getting critical dollars into these communities quickly can mean all the difference for these hard-hit communities. We appreciate your continued efforts to help sustain the American economy during these challenging times and look forward to working together to help minority and LMI communities during the COVID-19 pandemic.

Thank you for your consideration.

Sincerely,

/s/Mark R. Warner
United States Senator

/s/Charles E. Schumer
United States Senator

/s/Sherrod Brown
United States Senator

/s/Jack Reed
United States Senator

/s/Robert Menendez
United States Senator

/s/Elizabeth Warren
United States Senator

/s/Chris Van Hollen
United States Senator

/s/Doug Jones
United States Senator

¹ <https://www.fdic.gov/regulations/resources/minority/2019-mdi-study/full.pdf>