



Guidance on Accessing Capital for Minority, Underserved, Veteran and Women-Owned Business Concerns

The Small Business Administration (SBA) is dedicated to helping sustain our nation's small businesses and to supporting their tens of millions of employees. During these unprecedented times brought on by the COVID-19 global pandemic, SBA has worked tirelessly and closely with Congress, with borrowers, and with lenders of all sizes – including regional and community banks, Farm Credit System lenders, credit unions, fintechs, community development financial institutions (CDFIs), and minority depository institutions (MDIs) – to maximize access to the Paycheck Protection Program (PPP or Program). SBA is continuing to encourage and support these efforts that have benefitted the smallest businesses and underserved communities.

The first round of the PPP supported the employment of 51 million American workers and over 80 percent of small business payroll across all 50 states and territories. More than 87 percent of loans have been for \$150,000 or less, with an average loan size of \$101,000 – demonstrating the accessibility of the PPP to even the smallest businesses. PPP loans have been broadly distributed across diverse areas of the economy, with 27 percent of the funds going to low- and moderate-income communities, which is in proportion to their percentage of the population. More than 70 percent of PPP loans have been made to businesses with fewer than 10 employees. Over \$80 billion, or 15 percent of the total PPP loan amount, has been disbursed to small businesses in rural communities. Small businesses in Historically Underutilized Business Zones (HUBZones) have received more than \$130 billion in PPP funding, accounting for more than 25 percent of all PPP loan dollars. In addition, more than 430 CDFIs and MDIs across the country have made over 221,000 PPP loans for more than \$16.4 billion.

Building on the success of the first round of PPP, SBA is continuing to address potential barriers to access to capital for minority, underserved, veteran, and women-owned business concerns.

In the Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act (Economic Aid Act), our partners in Congress have set aside funds for new and smaller borrowers, for borrowers in low- and moderate-income communities, and for community and smaller lenders. These set asides include:

- \$15 billion across first and second draw PPP loans for lending by community financial institutions;
- \$15 billion across first and second draw PPP loans for lending by Insured Depository Institutions, Credit Unions, and Farm Credit System Institutions with consolidated assets of less than \$10 billion;
- \$35 billion for new first draw PPP borrowers; and
- \$15 billion and \$25 billion for first draw and second draw PPP loans, respectively, for borrowers with a maximum of 10 employees or for loans less than \$250,000 to borrowers in low-or moderate-income neighborhoods. SBA has determined that at least 25 percent of each of those set-asides will go to each one of the groups: loans to borrowers with a maximum of 10



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employees and loans less than \$250,000 to borrowers in low-or moderate-income neighborhoods.

To efficiently and effectively implement the Economic Aid Act and to ensure increased access to PPP for minority, underserved, veteran, and women-owned business concerns, SBA is undertaking the following steps:

- Accept PPP loan applications only from community financial institutions for at least the first two days when the PPP loan portal re-opens;
- Direct Lender Match borrower inquiries to small lenders who can aid traditionally underserved communities;
- Match small businesses through Lender Match with Certified Development Companies (CDCs), Farm Credit System lenders, microloan intermediaries, and traditional smaller asset size lenders;
- Continue setting aside dedicated hours to process and assist our smallest PPP lenders with their PPP loans;
- Continue to strongly encourage CDFIs and minority-, women-, veteran-, and military-owned lenders to apply to become PPP lenders. SBA will give full and prompt consideration to these applications to become PPP lenders consistent with program guidelines, including in cases where the lender does not meet all of the requirements listed on the updated SBA Form 3507;
- Continue to work with the Board of Governors of the Federal Reserve System on the PPP Liquidity Facility to enable PPP lenders, including nonbank lenders, to pledge PPP loans to the Federal Reserve as collateral for Federal Reserve borrowings to enhance lender liquidity and enable PPP lenders to expand their lending capacity;
- Promote awareness of these policies and procedures via traditional media methods, SBA social media accounts and guidance to lenders before the formal opening of SBA's loan systems;
- Continue to work with our federal partners, including the Department of Agriculture, the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Farm Credit Administration, and the National Credit Union Administration, to share this guidance with PPP lenders, borrowers, and the broader public;
- Continue to use SBA's 68 district offices and network of SBA Resource Partners to further create awareness among the public about these approaches. Minority, underserved, veteran, and women-owned businesses that encounter difficulties in obtaining a PPP Loan should contact their local SBA district office for assistance. A link on how to find an office near you can be found via www.sba.gov/local-assistance.



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SBA will continue to engage with all PPP lenders to maximize access to the PPP for all of America's eligible small businesses. To accomplish this, SBA continues to call upon its lending partners and asks that they redouble their efforts to assist eligible borrowers in underserved and disadvantaged communities, allowing us to further expand economic opportunity. In particular, all PPP lenders are strongly encouraged to:

- Continue to engage in community outreach and communication through organizations, trade associations, and individuals that represent and serve underserved communities and minority, veteran, and women-owned businesses. SBA will continue to lead by example on best practices for this type of engagement; and
- Continue to fully comply with all applicable Federal, State, local, and other statutory requirements related to fair lending.

In addition, SBA has added a demographic reporting section on the PPP borrower application. PPP lenders should encourage borrowers to report the optional information that has been added to better inform lenders and SBA on the success of our efforts to reach underserved, minority-owned, veteran-owned, and women-owned businesses.

While the PPP has been an incredible success, there are still many more opportunities to provide assistance to businesses who have yet to access these forgivable loans, especially as PPP re-opens for first and second draw loans. These are challenging times for our nation's small business owners and entrepreneurs, but through our continued outreach and focused approach, we will continue to ensure access and opportunity for all those who need assistance.

Jovita Carranza, *Administrator*