

Congress of the United States
House of Representatives
Washington, DC 20515-3601

April 6, 2020

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

Dear Administrator Carranza:

We appreciate your leadership and efforts in providing relief for millions of people and small businesses across the country impacted by COVID-19. As the Small Business Administration (SBA) plans to issue guidance to small businesses to implement the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Paycheck Protection Program (PPP), we urge you to clarify or affirm the below issues to ensure that the Act is implemented in accordance with Congressional intent and has a maximum impact to guarantee protection to the franchise industry and a speedy recovery to the small business sector:

1. Given the fact that franchise systems registered in the SBA's Franchise Registry are determined to not violate the SBA's customary affiliation rules, as they are applied between a franchisor and franchisee, clause (36)(D)(iv)(II)'s waiver language is to be interpreted to ensure that "business concerns" operating as a franchise are eligible for covered loans regardless of the number of affiliated entities it has. This is true even if traditional SBA lending rules would disqualify the business concern.
 - *In achieving Congress's intent to have a maximum impact and to guarantee a speedy recovery to the small business sector, this eligibility threshold must be applied.*
2. All franchisors with franchise systems registered in the SBA's Franchise Registry are eligible for PPP loans.
 - *In achieving Congress's intent to protect all businesses operating in the franchise sector, this benefit must be applied to all franchisors and franchisees.*
3. All "business concerns" that are registered in the SBA's Franchise Registry are eligible for a covered loan without regard to the number of employees, even if the single franchisee entity employs more than 500 people.
 - *There is no limitation in the statutory language that applies this employee limitation in the statutory language regarding franchises, so Congressional intent demands this consistency.*
4. Clause (36)(D)(iii)'s use of business concern is interpreted to not limit any single entity that employs their employees throughout multiple locations to \$10 million loan cap for all employees at all locations.
 - *In achieving Congress's intent to protect the largest number of employees possible, this interpretation must be applied.*

5. Clause (36)(D)(iv)(I) ensures that any non-franchised business concern which has less than 500 employees and is covered by NAICS 72, is eligible for a covered loan even if an affiliate of the business concern employs more than 500 employees. Additionally, clause (36)(D)(iii) is not interpreted to bar eligibility for PPP loans to any single business concern in NAICS 72 that has affiliates that have an affiliation that is not waived under clause (36)(D)(iv)(I).
 - *To achieve consistency with the language waiving affiliation rules, and with Congress's intent to protect the largest number of employees possible, this interpretation must be applied.*
6. Due to clause (36)(D)(i)'s clear language, the term "any business concern" is interpreted to mean that franchises that have less than 500 employees but are not currently on the SBA's Franchise Registry as an approved "small business concern" are eligible for PPP.
 - *In achieving Congress's intent to implement protections on the franchise sector while also maximizing the retention of employees and protecting small businesses, this term must be interpreted consistently to cover franchises regardless of registry status.*
7. Clause (36)(D)(iv)(II)'s affiliation-waiver provision is interpreted to allow for franchise systems that have previously been denied access to the SBA's Franchise Registry (due to affiliations with franchisors) to immediately apply and gain listing on the SBA's Franchise Registry for the duration of the COVID-19 crisis.
 - *Congress drafted language specifically waiving affiliation rules. To achieve the full Congressional intent of the CARES Act, this interpretation must be applied.*

As previously requested, we urge you to clarify or affirm the issues listed to ensure that the CARES Act is implemented in accordance with Congressional intent and has a maximum impact to guarantee a speedy recovery for the small business sector. Should these issues need further resolution, we ask that you issue guidance that provides for the interpretation of these issues as listed above.

Thank you for your leadership on this very important issue. Please let us know if we can be of further assistance during this critical time.

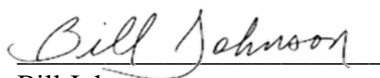
Sincerely,



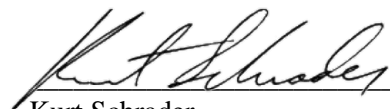
Kevin Hern
Member of Congress



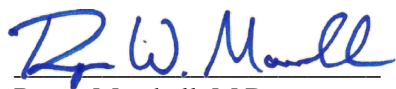
Scott Peters
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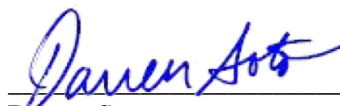
Bill Johnson
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Kurt Schrader
Member of Congress



Roger Marshall, M.D.
Member of Congress



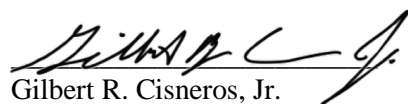
Darren Soto
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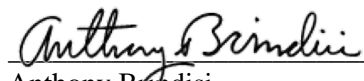
Josh Gottheimer
Member of Congress



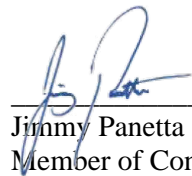
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Member of Congress



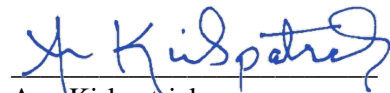
Anthony Brindisi
Member of Congress



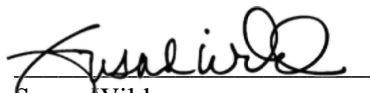
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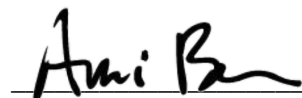
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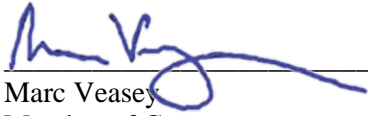
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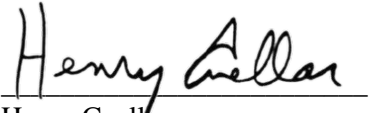
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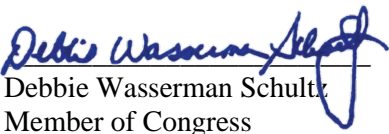
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