



April 2, 2020

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

**RE: Main Street Lending Programs**

Dear Secretary Mnuchin,

We applaud the Treasury Department and the Federal Reserve for allocating a portion of the \$4.5 trillion in new lending capacity to a Main Street Lending Program designed to fill gaps in the Small Business Administration's (SBA) programs. Microbusinesses, and the consumers whose spending powers Main Street, have unique capital access needs that unfortunately remain unaddressed by the COVID stimulus programs to date. This group of self-employed, sole proprietors, and other micro-businesses plays an outsized economic role; 57 million Americans are self-employed, and nearly \$1T of annual GDP is attributable to these businesses. We respectfully encourage you to expeditiously approve a lending facility that will include the small businesses and consumers who rely on personal loans within the Main Street Lending Program or alternative programs.

It has been reported that the Federal Reserve's upcoming Main Street Business Lending Program may fill gaps in support for businesses too large for the SBA's offerings. We urge you to also consider those still in need because they are too small or new. The CARES Act explicitly authorizes the Main Street Business Lending Program to support not only mid-sized, but also small businesses. As you know, 73% of American businesses are sole proprietors and 12% have fewer than five employees.<sup>1</sup> Nearly three in ten small startup businesses with medium or higher credit risk rely on consumer personal loans, according to the Federal Reserve Small Business Credit Survey.<sup>2</sup> This risk level describes nearly all firms now.

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<sup>1</sup> US Census Statistics of U.S. Businesses, 2017. <https://www.census.gov/programs-surveys/susb.html>

<sup>2</sup> Federal Reserve Bank of New York, "Small Business Credit Survey: Report on Startup Firms," Aug 2017. <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2016/SBCS-Report-StartupFirms-2016.pdf>

Perhaps even more important today, disaster-affected small businesses are one and half times as likely to rely on personal loans.<sup>3</sup>

The CARES Act took an important first step to consider microbusinesses by including the self-employed among those eligible for the Paycheck Protection Program and unemployment benefits. While these programs may provide for the owners' paycheck, they will not be sufficient for the survival of many microbusinesses. As the CEO of Etsy explained in an op-ed about the unmet needs of microbusiness owners during this COVID-19 response, paycheck protection, \$1,200 checks, and unemployment benefits "will not cover many of the costs they will face as customers cancel orders, shipping becomes less reliable, and their bills come due."<sup>4</sup>

Now more than ever, many small business owners lack the revenue needed to be underwritten as businesses for operating credit and will need to rely on their personal credit for access to critical funds. The small business COVID-19 responses do not address this need now.

In addition to credit and liquidity, what Main Street needs most is revenue and customers. Personal loans to creditworthy consumers are a valuable stabilizing tool for Main Street. Consumers use personal loans because they have immediate spending needs to buy life essentials, and pay bills, or other spending for their families. Any support invested in personal lending will flow to supporting consumer spending from many Main Street businesses.

Support for personal credit to help Main Street is needed now. The markets for the consumer loans that power Main Street's revenues are highly challenged due to the unprecedented economic uncertainty. AAA and other highly rated consumer loan assets, with only a remote risk of loss, have traded at >10% yields during recent market disruptions. At these levels for an extended period, many non-bank lenders who provide personal and small business credit may be unable to sustain their lending programs. Meanwhile, these loans are critical to Americans; on March 20<sup>th</sup>-21<sup>st</sup>, JD Power found that 57% of Americans would now need to borrow, or don't know how they would pay, when asked what they would do, "If you needed \$500 for an emergency, such as a medical expense, car repair, or home repair."<sup>5</sup> This 57% reliance on borrowing may be up from the widely-cited finding in the Federal Reserve SHED that 40% of Americans cannot access \$400 without borrowing.

The most vulnerable on Main Street will continue to suffer if the Federal Reserve's Main Street Lending Program and other programs do not support credit access for microbusinesses and the consumers whose consumers spending powers the economy. A lending facility to encourage continued personal and small business lending may be one of the most effective ways the executive branch can keep Main Street open, when so many doors are quite literally shut.

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<sup>3</sup> Federal Reserve Banks of Dallas, New York, Richmond, and San Francisco, "Small Business Credit Survey: Report on Disaster-Affected Firms," 2017. <https://www.newyorkfed.org/medialibrary/media/smallbusiness/2017/SBCS-Report-on-Disaster-Affected-Firms.pdf>

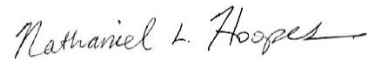
<sup>4</sup> Josh Silverman, "Coronavirus economic relief proposals are overlooking the 57 million Americans who are self-employed." Fortune, March 20, 2020. <https://fortune.com/2020/03/20/coronavirus-economic-relief-gig-economy-self-employed/>

<sup>5</sup> JD Power, "Coronavirus Financial Health Pulse Survey Webinar," March 24, 2020. <https://www.brighttalk.com/webcast/17238/392442/coronavirus-financial-health-pulse-survey-webinar-presented-by-j-d-power>

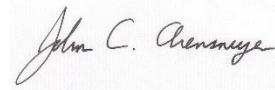
If we can be of assistance in proposing specific program modifications, or additional programs, to address these crucial needs, please do not hesitate to contact us at [nat.hoopes@marketplacelendingassociation.org](mailto:nat.hoopes@marketplacelendingassociation.org) and [asarkash@smallbusinessmajority.org](mailto:asarkash@smallbusinessmajority.org).

Thank you for your consideration. We wish good health and success to you and your team.

Sincerely,



Nathaniel L. Hoopes  
Executive Director  
Marketplace Lending Association  
1875 Connecticut Avenue NW – 10th Floor  
Washington, D.C. 20009



John C. Arensmeyer  
Founder & CEO  
Small Business Majority  
1015 15<sup>th</sup> Street, NW – Suite 450  
Washington, DC 20005

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