

Congress of the United States
Washington, DC 20515

April 21, 2020

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

The Honorable Randal Quarles
Vice Chairman for Supervision
Federal Reserve Board of Governors
20th Street and Constitution Avenue NW
Washington, D.C. 20551

Dear Secretary Mnuchin and Vice Chairman Quarles:

Thank you for your continued efforts to support American businesses and workers during the COVID-19 pandemic, and in particular for your work to stand up the Federal Reserve's Main Street Lending Program. We write to bring to your attention language within the CARES Act and Federal Reserve term sheets that may unnecessarily prohibit millions of small and medium-sized businesses that are organized as pass-through businesses from being able to participate in the program and request your assistance in ensuring their eligibility.

Section 4003(c)(3)(D)(i)(VII) of the CARES Act restricts companies that receive loans under the Federal Reserve's lending program intended for mid-sized businesses from paying dividends on common stock. Similarly, the Federal Reserve's term sheets issued for the Main Street Lending Program reflect these requirements by citing a similar provision elsewhere in the legislation. However, pass-through entities such as S corporations, LLCs and partnerships may make quarterly distributions to shareholders in order to satisfy the business taxes that they owe. Additionally, these distributions are often required under a business's established shareholder agreement. Including these capital distribution prohibitions within the terms of the Main Street facility loans will effectively block numerous businesses from accessing much needed relief provided through these small and medium-sized business loans.

Certainly, it was not the intent of Congress to restrict these businesses from accessing the supports available through these loans. To the contrary, it was exactly these types of businesses that were in mind when Congress provided resources to the Exchange Stabilization Fund and encouraged the Federal Reserve to establish a lending program to support mid-sized businesses that would have too many employees to qualify for other lending programs within the CARES Act. Numerous pass-through businesses are too large to qualify for the SBA Paycheck

Protection Program, but they serve as a key element of America's Main Street, having operations in every state and employing millions of workers.

The CARES Act specifically acknowledged the wide discretion already available to the Federal Reserve under Section 13 (3) of the Federal Reserve Act in establishing its Main Street Lending Program that was already being considered prior to the passage of the CARES Act. While we appreciate both the Treasury and Federal Reserve's attempt to conform its Main Street Lending Program to provisions set forth by Congress, we believe an exception to ensure pass-through businesses can participate is clearly warranted. Therefore, we respectfully request that Treasury and the Federal Reserve modify the term sheets to provide a narrow exception to capital distributions made by pass-through entities solely for the purposes of paying taxes owed by the entity.

Such a change would bring the program in line with Congress's objective in providing relief to our nation's businesses as they manage the fallout from state requirements to shutter their businesses or orders for individuals to stay home. We are grateful for your leadership during these troubling times and appreciate your consideration of this proposed modification.

Sincerely,



Warren Davidson
Member of Congress



Ann Wagner
Member of Congress



Brian Fitzpatrick
Member of Congress



Jodey Arrington
Member of Congress



Louie Gohmert
Member of Congress



Lance Gooden
Member of Congress



Darin LaHood
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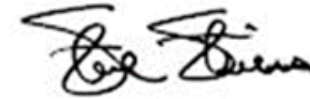
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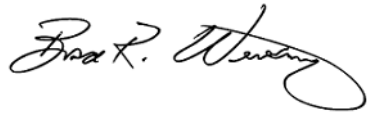
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