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Good morning,

Thank you for the invitation to speak to you today.

Congressman Hill, Commissioner Ramamurti, Congresswoman Shalala and Senator Toomey, I appreciate the gravity of the responsibility before you, admire your willingness and respect your commitment to ensure that federal relief programs enacted through the Coronavirus Aid, Relief, and Economic Security Act are both accessible and effective.

I am here this morning to provide testimony from the perspective of a borrower. To answer the question of who the Main Street Lending program is helping? I have no answer to offer you. Regrettably, I could neither borrow from the program nor find someone who has received a loan through it.

To help illustrate the current obstacles to securing loans through the Main Street Lending Program, I'd like to share comments from our members who completed a survey administered in recent days. These are their words:

- *The program is moving too slowly, whereas COVID-19 dramatically and quickly caused impact.*
- *The government created a fire hydrant to get money flowing into the economy. Commercial banks are tepidly attaching garden hoses to the fire hydrants.*
- *We actively solicited a MSLP loan for a Minority Business Enterprise, a company whose performance is only 10-15% lower during the pandemic as it was beforehand. We approached 15 lenders. Not one was interested.*
- *If the MSLP applies to the lower middle market, it is news to me. If it does, please send guidelines.*
- *We were excited about the program initially and had two companies that would be perfect for the program, but the banks won't do it.*
- *We have talked with 12 national and regional banks who are approved MSLP lenders but do not want to provide credit to any of our companies under the program due to the construct and underwriting risks of the program.*
- *Banks are holding back applications using their own very restrictive criteria. Availability must be able to address firms who are distressed due to COVID.*

I have plenty more comments that address the challenges faced by both borrowers and lenders, which I am happy to provide to the commission for its review and reporting purposes.

As the CEO and President of the Association for Corporate Growth (ACG), I come before you today as an employer and the leader of an association that represents a vitally important segment of the economy which employed some 45 million Americans prior to the pandemic. Founded in 1954, ACG's 15,000 members operate, advise, and grow 200,000 middle market companies.

As a networking organization which hosted more than 1,100 live events annually, ACG, like many other associations was devastated by COVID. I lead a staff of 23 people based out of Chicago, as well as oversee operations in 60 chapters, primarily in North America. When the Paycheck Protection was announced, a grant through it would have served as an $800,000 lifeline for my Chicago team and staff members dispersed throughout the country.

However, as a 501c6, we were ineligible.

Consequently, we made more than $600,000 salary cuts – currently forecasted to continue through December. Since March, every conversation with our members finds them in the same position - with their employees at the forefront of their operations, they managed cash flow, tried to prevent layoffs, and worked diligently to retain employees and not lose irreplaceable institutional knowledge.

When PPP was closed to us, like many other associations and a large percentage of our members' companies, we looked in earnest at the Main Street Lending Program. A loan would allow us to invest in the digital enhancements to our infrastructure that would ensure we continue to deliver strong member value, and the necessary tools for business development in a virtual world.

But there, we found another door closed. Sadly, our experience greatly mirrored ACG's members.

Perhaps, naively we thought the Main Street Lending Program would be accessible to organizations and companies excluded from the PPP? Suffice to say it hasn't been accessed by many. In your most recent report, [1] Goldman Sachs estimated that some 45 million Americans, or 40% of private sector workers are employed by a company eligible for the MSLP, yet, a single $12 million loan had been purchased. Further, Chairman Powell recognized the challenges with the small and medium-sized businesses for which MSLP is intended; it is new territory for the Federal Reserve and very complex because these businesses are a "broad and heterogeneous class of borrowers" with diverse needs.

In our opinion, the challenges with the Main Street Lending Program are two-fold and equate to awareness and access.

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[1]The Third Report of the Congressional Oversight Commission, https://coc.senate.gov/sites/default/files/2020-08/20200720_Congressional_Oversight_Commission_3rd_Report.pdf

Our recent survey found 22 percent of respondents **unaware** of the Main Street Lending program. And, of the respondents who want to apply for loans through the program, 81% were unable. Our survey respondents, close to this issue, suggest the removal of the following requirements, to increase eligibility and accessibility:

- Adherence to the SBA affiliate definition for various tests and restrictions (such as the employee and revenue-based tests including all affiliates, the maximum loan amount applies for all participating affiliates, EBITDA/ leverage size based tests pull in all non-participating affiliates, usage of only one type of MSLP facility for all participating affiliates, having the compensation restrictions apply to all non-participating affiliates, etc.),
- The EBIDTA/ leverage size-based test which excludes many companies early in their life cycle
- Distributions/ dividends restrictions for one year after loan payoff (especially as it applies to structuring an exit)
- Employee compensation restrictions for one year after loan payoff
- Decrease the minimum loan size

Additionally, streamline the diligence and loan underwriting process and ongoing reporting requirements and offer an asset-based loan option.

Creating greater awareness of the Main Street Lending program and increasing accessibility should result in a groundswell of applicants. The effect should help companies retain jobs and maintain operations, and consequently preserve the health care insurance for millions of Americans in this increasingly unpredictable economy tethered to the crises created by COVID-19. The Commission should recommend the Federal Reserve tailor the current program to reflect the "diverse needs" of this "broad and heterogeneous class of borrowers" and increase eligibility, especially among our lower middle market and smaller companies, and minority owned business, all of which may not have existing relationships with large commercial banks.

I appreciate the opportunity to speak on behalf of the 200,000 companies that operate in the middle market. ACG, and plenty of other business associations, are poised to support greater awareness of the program and means to increase accessibility. I'm happy to answer any questions.