



September 3, 2019

The Honorable Marco Rubio  
Chairman  
Senate Committee on Small Business  
& Entrepreneurship

The Honorable Benjamin Cardin  
Ranking Member  
Senate Committee on Small Business  
& Entrepreneurship

The Honorable Nydia Velazquez  
Chairwoman  
House Committee on Small Business

The Honorable Steve Chabot  
Ranking Member  
House Committee on Small Business

Dear Chairman Rubio, Ranking Member Cardin, Chairwoman Velazquez, and Ranking Member Chabot:

Thank you for your leadership on the House Small Business Committee to help create an economy that works for Main Street America.

We write to you today to request a committee hearing on the Small Business Administration's (SBA) recent report to Congress, "Cooperative Lending – Personal Guarantee Requirement" that was required through the bipartisan supported and passage of the Main Street Employee Ownership Act.

The Main Street Employee Ownership Act, included in the National Defense Authorization Act of Fiscal Year 2019 (Public Law No. 115-232), required SBA to "**study and recommend practical alternatives** for cooperatives that will satisfy the loan guarantee requirements of the Administration."

During two listening sessions, SBA heard from many different entities within the cooperative sector: lenders (including CDFIs), trade associations, potential borrowers, and community and economic developers. Through these discussions, and in a separate meeting with the U.S. Department of Agriculture that makes loans to cooperatives without personal guarantees, there were numerous alternatives proposed to the personal guarantee requirement that would enable the SBA to lend to cooperative businesses while mitigating risk.

We appreciated SBA's engagement and were hopeful there would be a commonsense solution to resolve the barriers for cooperative businesses. Additionally, we were optimistic that SBA would take a nominal step and provide alternatives and ideas of its own.

We were greatly disappointed to learn that the SBA did not provide any practical alternatives as required by law, and instead, relied on its existing requirements that make it implausible for cooperative businesses to access the agency's programs.

Further, SBA's recommendation regarding an existing business to be sold and converted to an employee-owned cooperative would actually create new barriers. The agency recommends that a selling business owner provide a full, unlimited personal guarantee for the life of the loan. This is an entirely unreasonable request for a business owner entering retirement. Imagine a small business owner selling their business, but having to sign a personal guarantee for the buyer's own loan.

For decades, the cooperative industry has asked SBA to level the playing field for cooperative businesses. In 2012, a House delegation sent a letter to SBA to resolve this issue, and now seven years later, Congress

has again directed the agency to finally find a solution. With the seeming lack of support from the SBA, we ask that your committee assert itself and make this a priority to resolve.

Thank you for considering our request to hold a committee hearing. We look forward to continuing to work with Congress and the SBA to find a solution that will uphold the intent of Congress and enable growing cooperative businesses to finally access SBA financing.

Sincerely,

**40 Square Cooperative Solutions**, Bloomington, Minnesota  
**A Slice of New York**, Santa Clara, California  
**Brattleboro Food Co-op**, Brattleboro, Vermont  
**California Center for Cooperative Development**, Davis, California  
**Capital Impact Partners**, Washington, D.C.  
**Caruso Co-operative Consulting**, Tolland, Connecticut  
**CCEC**, Chicago, Illinois  
**Center for Economic Democracy**, Boston, Massachusetts  
**CoBank**, Greenwood Village, Colorado  
**Consumer Federation of America**, Washington, D.C.  
**Community Purchasing Alliance Cooperative**, Washington, D.C.  
**Community Wealth Builders**, Baltimore, Maryland  
**CooperationWorks!**, Berkeley, California  
**Cooperative Development Foundation**, Washington, D.C.  
**Cooperative Development Institute**, Northampton, Massachusetts  
**Cooperative Development Services Inc.**, Saint Paul, Minnesota  
**Cooperative Fund of New England**, Amherst, Massachusetts  
**Cooperative Network**, Madison, Wisconsin  
**Corrigan Consulting**, Chicago, Illinois  
**Credit Union National Association**, Madison, Wisconsin  
**Daily Groceries Co-op**, Athens, Georgia  
**Democracy at Work Institute**, Oakland, California  
**Employee Ownership Expansion Network**, Arlington, Virginia  
**Farm Credit Council**, Washington, D.C.  
**Fiddleheads Food Co-op**, New London, Connecticut  
**Flatbush Food Cooperative**, Brooklyn, New York  
**Florida Cooperative Empowered Economic Development Corp.**, Saint Petersburg, Florida  
**Food Co-op Initiative**, Savage, Minnesota  
**Fund for Democratic Communities**, Greensboro, North Carolina  
**Georgia Center for Employee Ownership**, Atlanta, Georgia  
**Hanover Co-op Food Stores & Auto Service Centers**, Hanover, New Hampshire  
**Indiana Center for Employee Ownership**, Indianapolis, Indiana  
**Indiana Cooperative Development Center**, Indianapolis, Indiana  
**Indiana Farmers Union**, Morristown, Indiana  
**Jason Wiener | p.c.**, Boulder, Colorado  
**Keystone Development Center**, Ephrata, Pennsylvania  
**Lake County Community Development Corporation**, Ronan, Montana  
**Littleton Food Co-op**, Littleton, New Hampshire  
**Local Enterprise Assistance Fund (LEAF)**, Boston, Massachusetts  
**Mad River Market, LLC**, Winsted, Connecticut  
**Main Street Alliance**, Washington, D.C.

**Maryland Center for Employee Ownership**, Baltimore, Maryland  
**Middlebury Natural Foods Co-op**, Middlebury, Vermont  
**Minnesota Cooperative Education Foundation**, Saint Paul, Minnesota  
**Missouri Farmers Union**, Clarence, Missouri  
**Montana Cooperative Development Center**, Great Falls, Montana  
**Montana Farmers Union**, Great Falls, Montana  
**NASCO Development Services**, Chicago, Illinois  
**National Center for Employee Ownership**, Oakland, California  
**National Co-op Grocers**, Iowa City, Iowa  
**National Cooperative Bank**, Arlington, Virginia  
**National Cooperative Business Association CLUSA International**, Washington, D.C.  
**National Council of Farmer Cooperatives**, Washington, D.C.  
**National Farmers Union**, Washington, D.C.  
**Nebraska Farmers Union**, Lincoln, Nebraska  
**Neighboring Food Co-op Association**, Shelburne Falls, Massachusetts  
**New England Farmers Union**, Shelburne Falls, Massachusetts  
**New Whalom Cooperative LLC**, Leominster, Massachusetts  
**North American Students of Cooperation**, Chicago, Illinois  
**North Carolina Employee Ownership Center**, Durham, North Carolina  
**North Dakota Association of Rural Electric Cooperatives**, Mandan, North Dakota  
**North Dakota Farmers Union**, Jamestown, North Dakota  
**North Wind Renewable Energy Cooperative**, Stevens Point, Wisconsin  
**Northeast Organic Farming Association/Massachusetts Chapter**, Barre, Massachusetts  
**Northwest Cooperative Development Center**, Olympia, Washington  
**Ohio Farmers Union**, Ottawa, Ohio  
**Pennsylvania Center for Employee Ownership**, Havertown, Pennsylvania  
**Philadelphia Area Cooperative Alliance**, Philadelphia, Pennsylvania  
**Platform Cooperativism Consortium**, New York City, New York  
**Project Equity**, Oakland, California  
**Putney Food Co-op**, Putney, Vermont  
**Ravalli County Economic Development Authority**, Hamilton, Montana  
**Rocky Mountain Employee Ownership Center**, Denver, Colorado  
**Rocky Mountain Farmers Union**, Denver, Colorado  
**Shared Capital Cooperative**, Saint Paul, Minnesota  
**South Dakota Farmers Union**, Huron, South Dakota  
**Sustainable Economies Law Center**, Oakland, California  
**Technicians for Sustainability**, Tucson, Arizona  
**The Bailey Group LLC**, Annandale, Virginia  
**The Cooperative Catalyst of New Mexico**, Albuquerque, New Mexico  
**The Federation of Southern Cooperatives/Land Assistance Fund**, East Point, Georgia  
**The ICA Group**, Northampton, Massachusetts  
**The Working World**, New York, New York  
**U.S. Federation of Worker Cooperatives**, Oakland, California  
**Upside Down Consulting LLC**, Chicago, Illinois  
**Valley Alliance of Worker Co-operatives**, Northampton, Massachusetts  
**Valley Co-operative Business Association**, Shelburne Falls, Massachusetts  
**Vermont Employee Ownership Center**, Burlington, Vermont  
**Washington Area Community Investment Fund**, Washington, D.C.  
**Willimantic Food Co-op**, Willimantic, Connecticut  
**Work Hard Pittsburgh**, Pittsburgh, Pennsylvania