



July 1, 2020

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

The Honorable Jerome H. Powell
 Chairman
 Board of Governors of the Federal Reserve System
 20th Street and Constitution Avenue, NW
 Washington, DC 20551

Dear Secretary Mnuchin and Chairman Powell:

We appreciate your leadership in supporting America’s businesses as the nation combats the COVID-19 pandemic. The Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan (EIDL) program have provided critically needed funds to many businesses devastated by the crisis, and the Main Street Lending Program will provide further assistance to businesses that have need of longer-term lending. As a coalition of associations representing a cross-section of businesses, including many smaller businesses, we appreciate your continued focus on America’s economic recovery and getting Americans back to work.

Our associations have observed a continuing need for short-term liquidity in the marketplace since the pandemic hit. In such an unexpected downturn, businesses have had to deal with the challenge of forecasting cash flows and harnessing sufficient cash while still maintaining other types of short-term assets, such as inventory, in order to continue their business operations. Because of these extraordinary economic conditions, businesses that normally receive payment for goods or services within 30 days are now experiencing significant slowdowns in payments of 90 days or more. These delays have caused smaller businesses to hesitate to take on normal business risks and have caused an acute constriction of the supply chain—endangering America’s economic recovery at a time when increasing economic activity is a key goal of policymakers and businesses alike.

Further, with receivables potentially at risk, suppliers have severely limited the normal flow of goods to buyers and are hesitant to offer their typical credit terms, leaving these companies—from manufacturers to retailers to service providers—without access to the products and credit necessary to conduct their business. Ultimately, delays in payments, limits on goods, services and credit, and a reluctance to take on normal business risks like larger production orders slow the flow of capital through the supply chain and will have a significant impact on the routine business operations of small businesses across the country.

Our associations believe that these short-term liquidity issues will persist through the duration of the COVID-19 crisis, and likely far beyond the end of the outbreak as the economy struggles to return to normal. Furthermore, short-term liquidity problems will impact individual businesses on a revolving basis, potentially impacting every contract and supplier transaction for the next 12 to 18 months. The existing lending programs offered by the Federal Reserve, Department of the Treasury, and Small Business Administration will help companies address longer-term liquidity needs and provide for working capital, payroll costs, and ongoing overhead expenses—but they are not designed to address revolving short-term liquidity contractions up and down the supply chain.

Companies throughout the supply chain face a daily struggle to make appropriate business decisions based on the cash flow restrictions they are experiencing—from individual orders critical to a business’s survival to large-scale purchasing decisions that will impact inventory levels for the holiday season. These businesses need short-term solutions available on a revolving basis in order to endure the liquidity slowdowns caused by the COVID-19 crisis.

These acute credit risk issues that businesses are experiencing, such as the lack of short-term liquidity and the risk of extending credit terms to certain buyers, need short-term, targeted solutions. We recommend that the Federal Reserve, with approval from the Treasury Department, create a federally backed short-term facility (or facilities) within their existing authority that includes support for both sides of the supply chain, the suppliers and buyers. Such facilities would provide relief to companies to create immediate cash flow and support for normal trade terms and support the return to normal business operations.

The Federal Reserve can create this facility (or facilities) using its authority under section 13(3) of the Federal Reserve Act (12 U.S.C. § 343(3)) and commit to lend to Special Purpose

Vehicle(s) (SPVs) on a recourse basis. The GAO reported that as of June 8th, \$259 billion of funds for this remain unused from Section 4003(b)(4) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. As such, the Department of Treasury could fund SPVs by making equity investments in them.

We welcome the opportunity to discuss these issues with both of you and your staffs in the coming weeks, as well as any additional parameters and policy issues that necessitate the implementation of a federally backed short-term liquidity facility (or facilities). While our associations believe that certain details may be better left to policymakers at the Treasury and Federal Reserve, we very much would appreciate the opportunity to discuss the business environment our members and companies are facing and what steps you should consider to bolster these businesses and drive toward maximum sustainable employment.

Please contact Diana Deem, AICPA Director of Congressional and Political Affairs, at ddeem@aicpa.org or 202-434-9276 to discuss these important issues further. Thank you for your consideration.

Sincerely,

American Institute of CPAs (AICPA)
American Apparel and Footwear Association (AAFA)
American Import Shippers Association (AISA)
C2FO
California Fashion Association (CFA)
Council of Fashion Designers of America (CFDA)
Fashion Jewelry and Accessories Trade Association (FJATA)
Footwear Distributors and Retailers Association (FDRA)
Fashion Accessories Shippers Association (FASA)
Gemini Shippers Association
Halloween and Costume Association (HCA)
Juvenile Products Manufacturers Association (JPMA)
National Association of Manufacturers (NAM)
National Retail Federation (NRF)
North American Association of Uniform Manufacturers and Distributors (NAUMD)
Sports & Fitness Industry Association (SFIA)
The Toy Association
Travel Goods Association (TGA)
U.S. Chamber of Commerce
U.S. Fashion Industry Association (USFIA)
U.S. Footwear Manufacturers Association (USFMA)