

March 18, 2020

President Donald J. Trump
The White House
Washington, DC 20500

Speaker Nancy Pelosi
U.S. House of Representatives
Washington, DC 20515

Majority Leader Mitch McConnell
U.S. Senate
Washington, DC 20510

Dear Mr. President, Speaker Pelosi and Majority Leader McConnell:

On behalf of the International Franchise Association (IFA), the world's oldest and largest organization representing franchising worldwide, I write on behalf of the nation's franchising community, which is comprised of over 733,000 establishments that employ over 7 million individuals and contribute \$674.4 billion of economic output to the U.S. economy. The coronavirus poses unprecedented challenges to this country, and we applaud your collective efforts to minimize its impact and keep the American people safe. You have taken aggressive steps to promote our public health and provide needed benefits to our nation's workers, and we stand ready to work with you as additional steps are taken to minimize the devastating economic impact the virus has had on the nation's small businesses, workers, and families.

According to FRANdata, approximately 20,000 to 30,000 franchise businesses will lose liquidity in the next 45 days if immediate relief is not provided. Additionally, the estimated franchise impact of a 90-day shutdown is as follows:

| Est. Impact of COVID-19 | | |
|-----------------------------------|------------------|-------------------|
| Sector | Est. Unit Losses | Est. Job Losses |
| Lodging | 1,000 – 1,500 | 25,000 – 38,000 |
| Restaurants | 8,000 – 10,000 | 175,000 – 225,000 |
| Personal Services | 7,000 – 9,000 | 80,000 – 100,000 |
| Residential & Commercial Services | 2,000 – 3,000 | 18,000 – 30,000 |

IFA members include franchise companies in over 300 different business format categories, from hotels to restaurants, hair salons to in-home health care, child education and home services. These small business franchise owners and their workforce are acutely experiencing the devastating economic impact of the crisis as a result of movement restrictions and social distancing guidelines as Americans do their part to prevent the spread of the coronavirus.

We respectfully request your urgent consideration of our recommended targeted proposals to minimize the devastating financial loss of our owners and their workforce. Our immediate needs are twofold: (1) cash flow and liquidity to keep businesses afloat as organizational decisions are made to keep employees on their payroll until the economy recovers; and (2) expedited and streamlined access to capital so businesses can grow again when the epidemic passes.

We believe the U.S. Treasury Department and the Small Business Administration (SBA) should play a complementary role to support our sector. Firstly, the creation of a Treasury Department-administered Small Business Workforce Stabilization Fund and Small Business Stabilization Account that will provide immediate support to employers that keep employees on payroll, as well as funds to provide liquidity to

keep affected franchises solvent through the crisis. By our estimates, upwards of \$300 billion may be necessary to address the challenges in franchising related businesses in the sectors described above. These programs could be administered in a number of ways, but whatever is done, we must emphasize be done with speed. Business owners need capital today in order to make it to the other side of the crisis, and bring their employees with them.

Second, IFA fully supports the *Restoring Economic Security, Confidence and User Endurance (RESCUE) Businesses Act of 2020*, a \$300 billion small business emergency economic relief plan that will help small businesses impacted by the coronavirus pandemic make payroll and cover expenses, including paid leave. IFA has called for streamlined, enhanced and optimized SBA programs that increase guarantee and loan limits and waive borrower fees. The RESCUE Act will do just that. Specifically, the bill will waive all fees for all 7(a) loans for one year for both lenders and borrowers and provide a 90 percent loan guarantee for all loans, no matter the size. The legislation will also increase the loan limit for SBA Express from \$350,000 to \$1 million. IFA strongly believes this legislation is a critical tool to stabilize the market and provide relief for owners, workers and their families.

Lastly, IFA asks Congress address in this or future relief packages issues the below issues:

- The federal government should guarantee or directly pay for business interruption coverage for retailers, restaurants and other small business tenants. While some companies may have third party insurance, the current crisis is not covered by most policies. This relief will allow businesses to continue paying their employees and suppliers without fear of liability or making the difficult decision to lay off staff.
- Ensure franchisors and franchisees larger than 500 employees are eligible for government backed loans, grants or other programs, as well as that these employers can take advantage of the tax incentives associated with the paid leave programs mandate in H.R.6201. Doing that will ensure the maximum number of workers are protected and jobs can be maintained.
- The FTC should issue a temporary 90-day extension to the requirement that updated Franchise Disclosure Documents be filed within 120 of the fiscal year ending. Assuming at 12/31 fiscal year end date, the updated FDDs will be due end of next month.

What small business owners need the most right now is time. We welcome these emergency measures so that business owners can distance out organizational decisions as they negotiate loan restructures and take other urgent measures to remain solvent.

Thank you for considering our views. We stand ready to work with you in this critical moment.

Sincerely,



Matt Haller
Senior Vice President of Government Relations & Public Affairs
International Franchise Association