



June 1, 2020

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
317 Russell Senate Office Building  
Washington, DC 20510

The Honorable Chuck Schumer  
Minority Leader  
United States Senate  
322 Hart Senate Office  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker of the House  
United States House of Representatives  
1236 Longworth House Office Building  
Washington, DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
United States House of Representatives  
2468 Rayburn House Office Building  
Washington DC 20515

Dear Majority Leader McConnell, Minority Leader Schumer, Speaker Pelosi, and Minority Leader McCarthy:

We, the undersigned trade associations for banks and credit unions that are certified Community Development Financial Institutions (CDFIs), are pleased that Congress is taking bipartisan action to enact reforms to the Paycheck Protection Program (PPP). PPP has been a critically important emergency tool -- particularly for the low- and moderate-income (LMI) and minority communities bearing the brunt of the recession. The Community Development Bankers Association (CDBA) and Inclusiv support the amendments included in H. R. 7010, the "Paycheck Protection Program Flexibility Act," and in H.R. 6800 the "HEROES Act" which will help provide greater flexibility to meet the needs of small businesses and nonprofits in these markets. We strongly urge you to enact the full range of recommendations below.

#### **Top Priorities for PPP Reform – Relevant to All Lenders**

Small businesses represent a wide range of business models and occupy vastly different operating environments. The current terms have proven too restrictive to be fully useful for some businesses, unintentionally stifling demand. More flexible spending parameters, terms and forgiveness provisions would allow more businesses to participate in PPP, thus remaining viable and retaining and rehiring more employees.

- Expand PPP beyond a paycheck emphasis: Reduce the limitation on non-payroll expenses. Saving BOTH jobs and small businesses is critically important for recovery and small businesses must pay rent, utilities, and other non-payroll expenses to remain viable and rehire workers.
- Extend the application period and rehiring deadlines through December 31, 2020.
- Streamline the loan forgiveness application.
- Affirm that CDFIs are eligible PPP borrowers. The CARES Act made a broad swath of small businesses and nonprofits eligible. Yet, the SBA has imposed restrictions on types of eligible borrowers based on their business activity in direct conflict with the CARES Act.

### **Additional Reforms to Help CDFIs Serve the Neediest Communities and Borrowers**

The smallest businesses are often the most fragile and the current recession threatens the viability of a large portion of them. Many are located within low- and moderate-income communities and/or are businesses owned by entrepreneurs of color that are experiencing severe distress. Congress and the Administration need to ensure that PPP resources reach the smallest businesses.

- The current fee structure works against the smallest borrowers. Lender fees are currently calculated as a percentage of the total loan amount. A fee floor will level the playing field. The smallest loans often go to borrowers with the least capacity and require lenders to spend more time.
- Streamline the forgiveness process – particularly for the smallest enterprises. Small loans under \$100,000 should have a forgiveness application not exceeding two pages.
- Earmark all funds returned by businesses that should not have qualified for PPP to the US Treasury's CDFI Fund for distribution to CDFIs to lend to communities hard hit by COVID 19.

### ***Giving CDFIs Tools to Help Small Businesses Over the Long Haul***

The economic recovery will take time, but prior recessions and natural disasters have taught that economic recovery will be slowest in LMI communities. We urge further enhancements to support the long-term recovery needs of LMI borrowers.

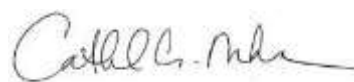
- Authorize use of PPP loans originated by CDFIs for activities needed by borrowers to restart (i.e. buying inventory or equipment, leasehold improvements to allow social distancing).
- Increase the eligible loan amount from 2.5 to 5 times payroll.
- Ensure access to payroll tax deferment for PPP borrowers.
- The smallest businesses often have the least capacity and therefore require the most assistance, which is often provided by CDFIs. Treasury and the Small Business Administration (SBA) should make sure small borrowers receive the full benefits of the program while also ensuring CDFIs receive a measure of protection from lender liability while acting in good faith in providing technical assistance under the program.
- If a PPP loan is not fully forgiven and a loan term needs to be extended, allow CDFIs to reset the interest rate up to the CARES Act ceiling of 4% to ensure CDFIs can cover their costs.
- Authorize more forgiveness flexibility. 2 examples: Allow a 2<sup>nd</sup> forgiveness event after the initial event if a borrower can demonstrate funds were used to pay employees by 12/31/2020. Allow forgiveness if a borrower demonstrates they were unable to rehire existing employees, identify similarly qualified employees, or can demonstrate an inability to return to the same level of business.

Thank you for your consideration on this important matter. We look forward to continuing to work with you for the benefit of low- and moderate-income communities as this crisis evolves.

Sincerely



Jeannine Jacokes  
Chief Executive Officer  
Community Development Bankers Association



Cathleen A Mahon  
President and CEO  
Inclusiv

cc:

Senator Marco Rubio, Chairman, U.S. Senate Committee on Small Business and Entrepreneurship  
Senator Ben Cardin, Ranking Member, U.S. Senate Committee on Small Business and Entrepreneurship  
Senator Mike Crapo, Chairman, U.S. Senate Committee on Banking, Housing and Urban Affairs  
Senator Sherrod Brown, Ranking Member, U.S. Senate Committee on Banking, Housing and Urban Affairs  
Chairwoman Maxine Waters, U.S. House Committee on Financial Services  
Representative Patrick McHenry, Ranking Member, U.S. House Committee on Financial Services  
Chairwoman Nydia Velázquez, U.S. House Committee on Small Business  
Representative Steve Chabot, Ranking Member, U.S. House Committee on Small Business  
The Honorable Steven T. Mnuchin, Secretary, U.S. Department of the Treasury  
The Honorable Jovita Carranza, Administrator, U.S. Small Business Administration