

July 31, 2020

The Honorable Marco Rubio
Chairman
U.S. Senate Committee on Small Business &
Entrepreneurship
428A Russell Senate Office Building
Washington, D.C. 20515

The Honorable Ben Cardin
Ranking Member
U.S. Senate Committee on Small Business &
Entrepreneurship
428A Russell Senate Office Building
Washington, D.C. 20515

Dear Chairman Rubio and Ranking Member Cardin:

On behalf of the members of the Community Development Bankers Association (CDBA), we strongly urge you to make the following enhancements to the Continuing Small Business Recovery & Paycheck Protection Program Act.

CDBA is the national trade association for banks that are U.S. Treasury designated Community Development Financial Institutions (CDFIs). We are the voice and champion of banks with a mission of serving low- and moderate- income communities that are underserved by traditional financial service providers. Our members are also active participants in the SBA's lending programs. In fact, at least 70 of our 81 members responded to the urgent need of small businesses and non-profits through participation in the PPP. Our members have contributed greatly to the SBA's ability to reach low- and moderate-income and otherwise underserved communities, including those with rural, minority-, and women-owned businesses.

Our members serve the communities that have been hit the hardest by this recession and bear the brunt of the economic- and health-related damage suffered by the nation. Thus, we believe any new Federal resources directed toward economic recovery must be intentionally focused on businesses in these communities and the people they employ and serve.

We are grateful for and strongly approve of the improvements that the Continuing Small Business Recovery and Paycheck Protection Program Act would make to the CARES Act. Particularly helpful are the lender safe harbor (*Section 102*), the new simplified attestations-based forgiveness application (*Section 104*), the second draw loans with community lenders set-aside (*Section 106*), and the increased ability to request an increase in loan amount (*Section 108*). Within *Section 112*, the variable interest rate, 100% SBA guarantee, payment deferral, loan term up to 20 years, and borrower fee waiver are all especially commendable. To build on these provisions, **we strongly urge that the following enhancements be included to ensure the program is both well-targeted and fully utilized.**

Title 1. Paycheck Protection Program Improvements

1. *Generally Applicable (Existing and New PPP Loans)*
 - a. **Allow for Interest Rate Adjustment** — If a PPP loan is not fully forgiven and a loan term needs to be extended, community lenders (including CDFIs) should be allowed to reset the interest rate up to the CARES Act ceiling of 4%, or set it as a variable rate based on SOFA in the same manner as the Recovery Sector loans, to ensure that lenders can cover their costs.
 - b. **Include EIDL Grants in Loan Forgiveness** — Small borrowers with loans under \$150,000 should be permitted to include EIDL advance grants up to \$10,000 in the forgivable portion of their PPP loans. The flurry of guidance in the early days of the program confused many borrowers, who were also encouraged by government and civic leaders at all levels to apply for this program as well as PPP. Many small business are now caught flat-footed having availed themselves of both

programs, but are unable to apply for forgiveness for as much as \$10,000 of their PPP loan — a significant portion of the outstanding balance.

2. *Section 106. (PPP Second Draw Loans)*
 - a. **Expand Eligibility Further** — Eligibility should be explicitly expanded to **all** 501(c)(3) organizations, per the CARES Act, and we strongly urge the Committee to instruct the SBA to permit all CDFIs, both those organized as 501(c)(3)s as well as CDFI banks, CDFI credit unions, and CDFI venture capital funds, to apply.
3. *Section 112. (Changes to the 7(a) Loan Guaranty Program for Recovery Sector Business Concerns)*
 - a. **Reduce Employee Limit** — The 500 employee limit is too large and risks diverting resources to large businesses which have access to other resources. CDBA strongly urges the Committee to focus on maximum impact and adopt the more appropriate employee limit of 300 from the PPP Second Draw program.
 - b. **Reduce Loan Maximum** — As above, the \$10 million loan maximum is too large to reflect the needs of small business and risks diverting resources to large businesses. CDBA strongly urges a maximum loan amount of \$5 million.
 - c. **Extend Recovery Period for Max Loan Calculation** — CDBA urges revisiting the multiplier which determines loan size. The multiplier should be based on a generous understanding of the time required for economic recovery. A multiple of two times annual revenues may be sufficient for some business, but others, especially those that are targeted by this legislation, will require longer. We recommend allowing “up to” three times annual revenue.
 - d. **Revise Narrow Construction of Business Location** — CDBA urges revising the reference to “low income census tract.” Census tracts are too narrow to capture the range of situations of many low-income communities. CDBA recommends adding reference to “low income borrowers and minority owned business” after “low income census tracts” to ensure targeting is not too narrow.
 - e. **Strike Census Tract Revenue Source** — CDBA strongly urges striking the reference to “at least 50 percent of income derived from . . . low-income census tracts.” It is impossible for small businesses to discern the census tract income level of their revenue sources, and even requiring an attestation to that effect is a serious disincentive to apply. Adopting the location and characteristics above in “d”, coupled with the community lender set-aside in “f”, will help ensure these funds reach the businesses that serve low-income communities
 - f. **Extend Community Lender and CDFI/MDI Set-Aside** — CDBA strongly urges the continuation of the Administration’s PPP community lender and CDFI/MDI set-aside for this portion of the program — this will help the program target the desired low-income communities, without putting the impossible burden on the borrowers themselves.

In the interests of ensuring an economic recovery that reaches all Americans and communities, I urge you to consider making these changes to the Continuing Small Business Recovery and Paycheck Protection Program Act.

If you have questions, please contact me at jacokesj@pcgloanfund.org or 202-207-8728 or contact Brian Blake, CDBA’s Public Policy Director, at blakeb@pcgloanfund.org or 646-283-7929.

Thank you for your consideration on this important matter.

Sincerely,



Jeannine Jacokes

Chief Executive Officer

Community Development Bankers Association

cc:

The Honorable Cory Booker, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Maria Cantwell, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Chris Coons, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Tammy Duckworth, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Joni Ernst, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Josh Hawley, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Mazie Hirono, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable James Inhofe, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable John Kennedy, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Ed Markey, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Rand Paul, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable James Risch, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Mitt Romney, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Jacky Rosen, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Tim Scott, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Jeanne Shaheen, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Todd Young, Member, U.S. Senate Committee on Small Business & Entrepreneurship
The Honorable Nydia Velázquez, Chairwoman, U.S. House Committee on Small Business
The Honorable Steve Chabot, Ranking Member, U.S. House Committee on Small Business