

May 27, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

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

On behalf of the community banking industry's 760,000 employees across more than 52,000 locations nationwide, the undersigned state banking associations are pleased that Congress is considering much-needed reforms to the Paycheck Protection Program (PPP). Community bankers across the country have worked tirelessly to deliver PPP loans quickly and successfully on behalf of thousands of small businesses. Community banks have been widely recognized for their dedication and commitment to administering the program effectively for struggling borrowers. PPP loans could be a lifeline for borrowers, if the terms for forgiveness are flexible and realistic, reflecting the complexity and variability of the current business environment. Unfortunately, the forgiveness rules and procedures outlined for small businesses and lenders are far too complex and onerous.

The long-awaited forgiveness guidance released by Treasury last Friday evening was more than a source of disappointment and frustration for lenders and borrowers alike. It opens up a new source of liability risk for community bankers who have acted in good faith. With this in mind, I urge you to consider community bankers' recommendations for amending and strengthening the program so that it can more effectively achieve its goal. These recommendations are described below.

More Flexible Spending to Preserve Small Business Viability and Employment

- Provide more flexible forgiveness terms. Currently, a borrower must spend at least 75 percent of loan proceeds on payroll expenses and no more than 25 percent on allowable, non-payroll expenses, a "75/25 split." ICBA strongly recommends a "50/50 split" which would allow borrowers needed flexibility to spend up to 50 percent of loan proceeds on allowable, non-payroll expenses.
- Provide more flexibility and options on the current 8-week period for spending PPP funds.

Reason for Change

- Many borrowers will be forced to close and lay off employees if they cannot meet their significant fixed expenses such as rent. More flexible spending parameters would allow business to remain viable when COVID-19 restrictions are lifted.

- The current 8-week window has proved to be too short and a significant impediment to the use of PPP funds. Many borrowers have not yet reopened or have only recently or partially reopened their businesses.

Easy-to-Use Forms and Procedures for PPP Forgiveness

- For all loans with an original balance of \$1 million or less, allow a presumption of compliance based on the borrower's certification that the funds were used in accordance with the terms of the program.
- Require Treasury and the Small Business Administration (SBA) to promptly provide a straightforward, easy-to-apply approach to loan forgiveness. Nearly all community bank PPP loans are less than \$1 million and the vast majority are less than \$100,000. The 11-page loan forgiveness application released by Treasury on May 15 is overly complex and detailed.
- Provide a PPP loan forgiveness calculator to allow the borrower and lender to easily determine the forgiven amount.
- Create a streamlined form, comparable to the 1040 EZ, for self-employed borrowers and independent contractors with few resources to complete a complex form.

Reason for Change

- A presumption of compliance for these borrowers will allow business owners to focus on their businesses and the safety of their employees and customers. A threshold of \$1 million for presumed compliance would be consistent with Secretary Mnuchin's intention to focus audit resources on loans in excess of \$2 million.
- The certainty provided by a calculator or other simplified process would allow borrowers to focus on sustaining the viability of their businesses. Complex calculations are an unnecessary distraction in a challenging environment. Overly detailed review of each loan is simply not practical for borrowers or lenders.
- Borrowers should not have to hire accountants at expensive and predatory fees to assist with loan forgiveness.
- Borrowers whose first language is not English are struggling with the forgiveness forms and procedures.

Preserve Expense Deduction for PPP Borrowers

- Allow PPP borrowers that also obtain loan forgiveness to deduct payroll and other business expenses. (Small Business Expense Protection Act of 2020, S. 3612)

Reason for Change

- The inability to deduct normal business operating expenses effectively reduces the value of loan forgiveness for struggling businesses and adds unnecessary complexity to tax preparation. We do not believe this was the intention of Congress in creating the PPP.

Thank you for your consideration. We look forward to continuing to work with you to sustain the American economy as this crisis evolves.

Sincerely,

Alabama Bankers Association
Arkansas Community Bankers
Arizona Bankers Association
California Community Banking Network
Independent Bankers of Colorado
Florida Bankers Association
Community Bankers Association of Georgia
Community Bankers of Iowa
Idaho Bankers Association
Community Bankers Association of Illinois
Indiana Bankers Association
Community Bankers Association of Kansas
Bluegrass Community Bankers Association
Louisiana Bankers Association
Massachusetts Bankers Association, Inc.
Maryland Bankers Association
Maine Bankers Association
Community Bankers of Michigan
Independent Community Bankers of Minnesota
Missouri Independent Bankers Association
Mississippi Bankers Association
Montana Independent Bankers
North Carolina Bankers Association
Independent Community Banks of North Dakota
Nebraska Independent Community Bankers
New Hampshire Bankers Association
New Jersey Bankers Association
Independent Community Bankers Association of New Mexico
Independent Bankers Association of New York State
Community Bankers Association of Ohio
Community Bankers Association of Oklahoma
Oregon Bankers Association
Pennsylvania Association of Community Bankers
Independent Banks of South Carolina
Independent Community Bankers of South Dakota
Tennessee Bankers Association
Independent Bankers Association of Texas
Virginia Association of Community Banks
Vermont Bankers Association, Inc.
Community Bankers of Washington
Wisconsin Bankers Association
Community Bankers of West Virginia
Wyoming Bankers Association