



April 10, 2020

Honorable Member of Congress:

The CARES Act Paycheck Protection Program (PPP) makes available approximately \$350 billion through the Small Business Administration's (SBA) 7(a) loan program structure for eligible lenders to make loans to businesses to support payroll and certain limited operating costs for an 8-week period beginning on the date of origination of the loan.

Over the course of the past week, I have been alarmed that the resources made available through the PPP are flowing almost exclusively to the preferred customers of larger financial institutions. The current program structure for the Paycheck Protection Program established by the Treasury Department and SBA makes it very difficult for underserved small businesses and nonprofits to get rapid and equitable access to resources and, if the program is oversubscribed, underserved businesses and nonprofits will be left out. That would be a travesty.

As of the date of this letter, the program has been open for one week. Many of the business owners and nonprofits NACEDA works with have been frustrated they cannot access the PPP. Within NACEDA's membership of 35 state/regional nonprofit organizations, a majority of our members are searching for a place to apply. I know of only 3-5 organizations that have successfully been able to submit an application to receive PPP resources. I do not know of any that have actually received money from the program. Our members tend to have longstanding, productive relationships with financial institutions and even they are having significant challenges accessing the program. Smaller nonprofits that typically do not have lending relationships with banks will be challenged even further, since many banks require an existing lending relationship. Sole proprietors and the smallest of businesses that operate primarily in cash or with limited interaction with mainstream financial institutions will not have any access.

The Congress must act urgently to fix the Paycheck Protection Program.

The intent of Congress is expressed in the text of the CARES Act as follows.

It is the sense of the Senate that the Administrator should issue guidance to lenders and agents to ensure that the processing and disbursement of covered loans prioritizes small business concerns and entities in underserved and rural markets, including veterans and members of the military community, small business concerns owned and controlled by socially and economically disadvantaged individuals, women, and businesses in operation for less than two years.

The following are specific fixes that would improve the Paycheck Protection Program.

1. The Congress should set aside 5% of the Paycheck Protection Program appropriation for underserved small businesses and nonprofits to be deployed by CDFI lenders that have a track record of effectively serving these populations. A set aside deployed through CDFIs is the only way to ensure, in the rush to access funding, that underserved small businesses and nonprofits will not be left out of this program.
2. The Congress should require the SBA to provide “Delegated Authority” to additional lenders that have a track record of opening access to capital for underserved small businesses and nonprofits. This can be best accomplished by automatically providing “Delegated Authority” to any CDFI that applies by virtue of the fact that they have already been certified as responsible lenders by the Treasury Department.
3. Congress should direct the SBA or the Treasury Department to directly provide liquidity to eligible lenders that have a track record of opening access to capital for underserved small businesses and nonprofits, specifically for the purpose of deploying the PPP product. This should begin by providing authorized providers of the PPP product with sufficient cash up front to cover 15 days of anticipated deployment to be held in a segregated account. Alternately, the Federal Reserve could open access to CDFIs to its recently announced PPP credit facility for banks.
4. The Congress should clarify in the law that businesses may include in their applications amounts to pay 1099 contractors that primarily rely on that business for their income, as determined by the business owner and documented through an attestation.
5. The Congress should set a minimum fee of \$2,500 per PPP loan to eliminate the current disincentive in the lender fee structure for processing small loans below \$50,000, which are more likely to be made to underserved microbusinesses, who may in fact cost more to serve because they are likely to require more assistance from the lender.
6. Congress should extend the deadline by which applications for the PPP product can be processed until at least September 30, 2020. Underserved businesses and nonprofits may need more time to connect with a lender to access the PPP because the initial roll out of the program did not provide equitable access to these critical emergency relief funds.

NACEDA is an alliance of 35 state and regional membership networks for mission-based community development organizations, including community development corporations (CDCs), community-based developers, and community development financial institutions, among others. Our mission is to lead the community development field and its partners in shaping and influencing strategies that advance community prosperity. NACEDA's network touches almost 4000 community-based development organizations across its membership.

Respectfully submitted,

A handwritten signature in black ink that reads "Frank Woodruff". The signature is written in a cursive style with a large, looping initial "F" and a long, sweeping underline.

Executive Director
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