



January 9, 2021

The Honorable Steven Mnuchin
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue
Washington, D.C. 20220

Re: Paycheck Protection Program

Dear Secretary Mnuchin:

Since the NBA was founded in 1927, we have served as a voice for Black and other minority-owned banks (MDI Banks). Now, with membership that includes Hispanic-American, Asian-American, Native-American, and women-owned banks, our reach extends across the country. We believe strongly in advocating for not only our member banks, but also the communities they serve. Our members help low and moderate-income communities in twenty-two states, and they are committed to providing economic revitalization to families in those neighborhoods.

The NBA member banks have been instrumental in distributing PPP loans to small businesses in communities that we serve. The Congress has recognized this role by setting aside a portion of the new PPP allocations for MDIs and CDFIs. We believe this set aside is important as many of the small businesses our banks serve need time to properly prepare their applications and gather the material necessary for completion. For example, during the first round of PPP loan allocations many of the businesses our members serve required more than three days to prepare their applications. This put them at a significant disadvantage as the funds were allocated before the banks had time to process these applications.

We certainly appreciate the efforts that The Treasury Department and SBA are undertaking in this round of the PPP loan program to ensure MDIs and CDFIs have initial access and can thereby serve the small businesses in our communities better. While well intentioned, we believe in practice the methodology adopted will create less access rather than more. Our institutions simply have not had adequate time to prepare for the rollout in the timeframe currently established. We have not had sufficient time to review and understand the new guidance governing the program. Without this understanding, we cannot sufficiently train staff or set up or acquire technology necessary to process the many loan applications we expect to receive. This places our banks at risk of honest errors by our customers, or intentional fraud by those looking to take advantage of the program.

The compressed timeframe also does not provide borrowers with the necessary time to prepare the supporting documentation they will need for a successful application. We believe this will unfortunately lead to the same sluggish response we witnessed in the first and second rounds of the program.

The NBA believes that the administration should not rush the program out. The hasty rollout puts enormous pressure on all lenders, especially the smallest banks. A lack of adequate time to prepare and the fear of regulatory reprisal, unforgiving loans, or dishonored guarantees may result in some lenders choosing to sit it out this round rather than rush into a program where the bank faces real risk of loss if the SBA doesn't forgive a loan or honor a guarantee after the fact. We believe this result is the opposite of your very noble intent.

We believe the administration could address the Congressional mandate for setting aside resources for CDFIs and MDIs by establishing portal specifically for MDIs and CDFIs, giving these institutions as close as possible to real time updates on the amount of dollars left in the program, both the set aside and overall, and provide marketing support for us to reach out to minority communities, especially sole proprietors, small nonprofits, etc. who may not realize that the PPP program is available to them.

We have an opportunity to avert an economic collapse and allow communities to rebuild if the necessary steps are taken now to provide diverse small businesses, nonprofits, and LMI communities the emergency relief they need. However, the expectation that our banks can operate efficiently in such a compressed timeframe with a new technology platform, a new application, new calculation rules and incomplete guidance is unreasonable and sets us up to fail. We appreciate the opportunity to share our views with you and look forward to serving as a resource to you to ensure both a robust and inclusive response to and recovery from the COVID-19 pandemic.

Sincerely,

A handwritten signature in blue ink that reads "Robert James II". The signature is written in a cursive style with a double underline at the end.

Robert James II
Carver State Bank
Chairman, National Bankers Association