National Bankers Association
1513 P Street. NW
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November 1, 2022

Via Electronic Submission

Mr. Jeffrey Stout
Director, Office of Federal Program Finance
United States Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

RE: State Small Business Credit Initiative (SSBCI) – Notice and Request for Information; Federal Register Vol. 86, No. 97, Friday, May 21, 2021

Dear Mr. Stout:

On behalf of the members of the National Bankers Association (NBA), I respectfully submit the enclosed comments in response to the Notice and Request for information published September 20, 2022, regarding the Department of the Treasury's (Treasury's) approach to delivering of technical assistance (TA) through the SSBCI.

The NBA is the leading trade association for the country's Minority Depository Institutions (MDIs). Our members include Black, Hispanic, Asian, Pacific Islander, Native American, and women owned and operated banks across the country who are on the front lines of closing the racial wealth gap by providing access to financial services, mortgages, and small business loans to low- and moderate-income (LMI), minority, and underserved communities. Many of our member institutions are also Community Development Financial Institutions (CDFIs) and have become banks of last resort for consumers and businesses underserved by mainstream financial institutions, including socially and economically disadvantaged individuals (SEDI).

On the key issue covered in the RFI, MDI and CDFI lenders excel at providing "development services" in the form of one-on-one technical assistance (TA), provided in conjunction with a product or other service. Per Treasury's RFI: "SSBCI provides that $500 million may be used to provide TA to certain businesses applying for SSBCI or other state or federal programs that support small businesses." The methods for Treasury to provide funding for TA include "Contract(ing) with legal, accounting, and financial advisory firms with priority given to SEDI businesses to provide TA to SEDI businesses." **We strongly urge Treasury to explicitly include MDIs, CDFIs, and the nonprofits and trade associations that serve these entities, in the category of institutions eligible to receive direct funding for the provision of TA, and to provide detailed instructions on how to apply for technical assistance, as applicants may use the funds for SSBCI programs and other programs that support small businesses.**

When TA is provided via a MDI or CDFI, which is also a lending entity, the combination of expertise increases the effectiveness of both the financing and the assistance. Importantly, the nature, frequency, and amount of TA provided by a MDI or CDFI to its customers must be left to the discretion of each lender. Every customer is different, and MDIs and CDFIs of all types are

experts in recognizing and responding constructively to each customer's individuality. Some customers require TA support – but others do not. Some customers require and respond to structured, repeated classroom TA – but others do not. The SSBCI definition of TA should remain highly flexible and responsive to local needs. Setting inflexible and onerous parameters for TA particularly harms the SEDI and very small businesses that require access to a wide range of financial products and services.

MDIs and CDFIs are excited about the opportunity to work with Treasury and government entities to make SSBCI a success. SSBCI's success will depend, in large part, on the effective inclusion of MDIs in its implementation. To achieve the program objectives set forth by Congress, Treasury will need to ensure SSBCI reaches a broad range of eligible institutions and there is robust industry participation. We strongly encourage Treasury to: (1) ensure participating governments engage in active outreach to all eligible institutions, particularly MDIs and CDFI depositories with track records of serving LMI and Black, Indigenous and People of Color (BIPOC) communities; and (2) establish a process for information to flow both ways – between governments and lenders. The high proportion of Capital Access Program (CAP) loans originated by CDFIs (65%) under the previous SSBCI authorization speaks well for the opportunity in this reauthorization.

The priority given in the American Rescue Plan Act reauthorization to businesses that are owned and controlled by socially and economically disadvantaged individuals (SEDI), coupled with full state, territory and tribal government participation, will be most successful if participating governments actively engage with MDI and CDFI lenders. Participating governments must conduct outreach and solicit input from MDI and CDFI lenders with high and sustained levels of serving LMI and BIPOC borrowers and communities, on how best to serve SEDI and very small businesses.

The 2014 policy guidelines were effective in ensuring the participation of CDFIs as lenders. We recognize that the 2021 statute unfortunately does not include a provision requiring participating governments to submit applications detailing how their plans will include MDIs and CDFIs as lenders. Treasury should, however, issue guidelines strongly encouraging governments to engage with MDIs and CDFIs so that these entities may provide localized advice on how best to "stand up" programs that are responsive to local needs, particularly those of LMI and BIPOC communities. Written guidance should explicitly highlight ways in which MDIs and CDFIs, as lenders in and administrators of programs, can position governments to meet the statutory requirement of the program.

Treasury should provide government applicants with clear guidelines to ensure that they actively engage MDIs and CDFIs in this program, both as pass-through entities to ensure businesses in minority and low-income communities can access these resources, and also as recipients, specifically for those MDIs and CDFIs, and the nonprofits and trade associations that serve these entities, that provide technical assistance and support to SEDI and very small businesses in their markets. Successful implementation of SSBCI will require information to "flow both ways" – MDIs and CDFIs must have their experiences and advice incorporated into participating government plans. Lenders must receive clear guidance and notices on how to maximize their

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involvement and benefits to their customers and communities once those plans are in place. Finally, as SSBCI dollars are repaid to MDIs and CDFIs engaged in the program as lenders, SSBCI resources should remain with the lenders to be continuously re-deployed in a manner consistent with the program's intent.

We fully appreciate the efforts and thoughtful consideration of the Treasury and its staff to implement the reauthorized SSBCI. The program has the great potential to catalyze recovery for SEDI and very small businesses, and MDIs and CDFIs are poised to serve as partners to improve the lives of people working and living in the communities they serve. We are excited about the opportunity to work with Treasury to make SSBCI a success.

Thank you again for the opportunity to comment.

Sincerely,

Nicole A. Elam, Esq.
President & CEO