



April 24, 2020

The Honorable Jovita Carranza  
Administrator  
Small Business Administration  
409 3rd Street SW  
Washington, DC 20416

RE: Paycheck Protection Program Guidance

Dear Administrator Carranza:

I write to you today regarding the implementation of the next phase of the Paycheck Protection Program (PPP). Inclusiv recognizes the monumental task that the Small Business Administration (SBA) was given in designing, implementing and managing this massive stimulus program in a matter of days and weeks. We have deeply appreciated the willingness of SBA personnel to participate on webinars and trainings in real-time as the program was being rolled out and the lengths the agency took to inform lenders and borrowers about the rules and process of the program. The paycheck protection program provided much needed liquidity to small businesses to retain workers and manage their operational needs during this pandemic. And for those that were able to access the program, it has been critical. But much more is needed to businesses beyond those with high net worth customers served by big banks; the PPP has not adequately reached the neighborhoods and small towns to maintain local economies.

Inclusiv is a national network representing over 300 community development credit unions (CDCUs) that serve 12 million people in the low-income communities and communities of color that are most severely impacted by this economic downturn. Access to small business lending is vital to ensuring our local small businesses survive and continue providing jobs during the uncertainty of the COVID-19 pandemic. The Inclusiv network is composed of certified Community Development Financial Institutions (CDFIs) *and* minority designated (MDI) credit unions reaching minority and women-owned businesses, small and microbusinesses that are regularly unable to access capital through bank lending. Our network mobilized rapidly in response to PPP. In a preliminary review, we calculate the network processed more than **\$215 million in loans through the first phase of PPP**, getting critical capital into low-income communities, and reaching diverse small and very small businesses. However, despite being eligible lenders, less than 20% of the CDFI credit unions had been onboarded onto the system to start lending before the funds were depleted. PPP has essentially remained out of reach for the majority of small businesses because it has not utilized the very lenders that are best equipped to ensure this capital remains in the communities it is intended to help, and is not extracted for investment elsewhere.

Inclusiv advocated aggressively and effectively for an additional allocation to this important program and sought allocation targeted to the small and micro businesses that mainstream financial institutions do not serve. We specifically advocated for targeted resources through community development and



minority lenders to reach minority and women-owned businesses that serve as the lifeblood of diverse communities around the country.

We are heartened that the national dialogue recognized the importance of community lenders in getting capital out into communities more effectively and welcome the set-aside of capital specifically for communities that were inadequately served during the first phase of PPP. To that end, we believe there are critical considerations for the SBA as you move to operationalize this next allocation of capital.

- **Ensure that Targeted Funds through CDFIs, MDIs and Small lenders are considered a minimum not a maximum:** Inclusiv supported an allocation for CDFIs and minority depository institutions. However with the inclusion of all small lenders, the \$30 billion allocation will likely be rapidly expended without adequate capital for all communities where this infusion of capital to support local businesses is so critical. We urge the SBA to consider the set-aside as a minimum amount not a maximum. If this allocation is expended, we urge the SBA to ensure these small lenders continue to be supported in getting capital out beyond the well-capitalized borrowers of the big banks.
- **Rapid Enrollment and onboarding of Community Development Credit Unions into the Program:** Large banks originated the vast majority of PPP loans and these funds were directed primarily to their own borrowers and customers. Despite efforts to increase the pool of lenders by expanding participation eligibility to all federally insured credit unions in the first phase, the process for getting institutions on-boarded was slow with many institutions waiting precious days and weeks to get their institutions enrolled. Credit unions that were successfully lending under the first phase were already SBA lenders; by being able to start right away they processed loans at higher levels than their assets might suggest, punching well above their weight. But these CUs account for a small percentage of the potential pool of credit union lenders that could be originating loans through this program. We urge SBA to accelerate enrollment and onboarding of all eligible lenders onto the lending platform and provide additional guidance to ensure that loans are properly submitted and businesses receive the guarantees and forgiveness allowed under the program.
- **Reduce pain points in lending platform:** Once new lenders are approved, there are still significant challenges to submitting loans; specifically limits on users authorized for each financial institution. This creates logistical challenges when multiple loan officers are working from different locations. Many of our members reported that the e-Tran system was unstable, frequently crashing on them. There is also the limitation that data cannot be entered on a queue until it has been submitted, which puts small financial institutions that do not use third party platforms at a huge disadvantage. To address these challenges, Inclusiv is requesting two solutions. First, the establishment of a dedicated SBA hotline to assist lenders with less than \$1 billion in assets. Second, improve the capacity of the e-Tran system so that it can better accommodate the increased traffic that is being experienced.
- **Increased Reporting on Status of Lenders:** Inclusiv provides training and technical assistance to our network members to maximize their success in lending. The ability to track both active CDCU lenders under PPP and those awaiting enrollment is critical to the overall program's effectiveness in getting more capital out beyond the high-wealth and well-capitalized businesses. Specifically, we request SBA provide weekly reporting of those institutions that are currently active as lenders, those that are enrolled in the program and those that have submitted their form 3506 that have not yet been processed and enrolled onto the system. In addition, we request that the SBA include the total number and dollar amount of loans processed for each lender as part of this weekly reporting. This



level of transparency will help us support both the lenders and the Agency to get more lenders across the finish line to enter the lending process. If separating out the lenders becomes too onerous, we can work with a master tracking list and identify from there the lenders we can best support.

Inclusiv credit unions are true financial first responders. Help us get them the guidance and tools necessary to enroll and successfully utilize this program for the small businesses (and their workers) in need. Thank you again for all that your team has done in such a short period and for your time and consideration of opportunities to increase the impact of this program.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen A. Mahon". The signature is fluid and cursive.

Cathleen A. Mahon  
President and CEO

CC: Honorable Representative Nydia Velazquez, US House of Representatives  
Senator Marco Rubio, US Senate