



INDEPENDENT COMMUNITY  
BANKERS *of* AMERICA®

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## ICBA Recommendations to Stimulate and Sustain Economic Activity

Community banks are well positioned to stimulate and sustain critical economic activity with access to credit to struggling small businesses, families, and individuals. Below is a set of recommendations collected from community banks across the country. Some of these measures would support near-immediate infusions of cash. Others would support economic resilience after the initial phase of the health crisis has passed.

- » **Backstop Transaction Accounts.** Created during the financial crisis of 2008, the Transaction Account Guarantee (TAG) program provided an FDIC backstop for transaction accounts used by businesses, local governments, non-profits, and other entities to manage payroll and other recurring expenses. At zero cost to the taxpayer, TAG helped stabilize the financial system and supported the flow of credit in our communities. Its success should be replicated in the current crisis.
- » **Small Business Loans.** Allow interest on small business loans of less than \$5 million held by community banks to be tax-exempt, as provided for in the Access Business Credit Act (H.R. 4805). This would support a higher volume of community bank credit at lower interest rates.
- » **Agricultural Loans.** Allow interest on loans secured by agricultural real estate or primary residences in rural communities to be tax-exempt as provided for in the Enhancing Credit Opportunities in Rural America (ECORA Act, H.R. 1872/S. 1641).
- » **Refund Prior Year Taxes Paid.** Remove limitations on net operating loss (NOL) carry-back imposed by the Tax Cuts and Jobs Act. Businesses with current year losses should be able to obtain refunds of taxes paid in prior years. A 5-year NOL carryback, created by the 2009 American Recovery and Reinvestment Act, was a critical source of funds for struggling businesses during the financial crisis of 2008-2009 and its wake. Though businesses would have to wait till 2021 to obtain refunds, the promise of future funds to repay debt would support credit in the immediate term.
- » **Cut SBA Loan Paperwork and Fees. Increase Guarantee Level.** Allow more bank lenders access to the process currently available to SBA preferred lenders: a low-doc, expedited SBA 7(a) loan program with 85% to 100% guarantee for small business loans up to \$250,000. Reduce lender and borrower fees for these loans.
- » **Municipal Finance to Support Health Infrastructure and Jobs.** Raise current bank-qualified municipal bond annual issuance limit to \$30 million from \$10 million to expedite low-cost funding for local projects. This would mirror a successful provision of the 2009 American Recovery and Reinvestment Act.
- » **Community Bank Capital.** Extend the community bank leverage ratio (CBLR) to some 400 more community banks across the country by reducing the qualifying threshold capital ratio from 9 percent to 8 percent. The CBLR provides relief from complex capital calculations for qualifying community banks. Unfortunately, the 9 percent qualifying capital threshold unnecessarily limits its availability and benefits. An 8 percent CBLR will help community banks to sustain and increase credit flows for vulnerable small businesses.
- » **Delay New Accounting Rule That Would Curb Lending.** Delay application of the new Current Expected Credit Losses standard in order to avoid disincentives to lending. In the current economic environment, community banks should be focused on working with challenged borrowers so they can meet payroll and other obligations.

ICBA stands ready to work with Congress to enact these provisions as quickly as possible to prevent lasting economic harm.