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December 8, 2020

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Charles Schumer  
Democratic Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Kevin McCarthy  
Republican Leader  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Majority Leader McConnell, Democratic Leader Schumer, Speaker Pelosi, and Republican Leader McCarthy:

On behalf of community banks across the country, with more than 52,000 locations, I write to urge you to enact pandemic relief legislation before the close of the 116<sup>th</sup> Congress. Successful vaccines offer the prospect of an end to a deadly pandemic and a return to normal economic life in a matter of months. But millions of small businesses will not be able to survive into the post-pandemic economy without help from Congress. We urge you to extend hope to these businesses and the Americans who depend on them for their livelihood. An effective pandemic relief package must contain the following provisions.

### **Simplified Forgiveness Needed for Small Paycheck Protection Program Loans**

For all loans with an original balance of \$150,000 or less, Congress should create a presumption of compliance based on the borrower's certification that the funds were used in accordance with the terms of the program.

The Paycheck Protection Small Business Forgiveness Act (S. 4117), introduced by Senators Kevin Cramer and Robert Menendez, would create a presumption of compliance for these loans. A House companion bill, H.R. 7777, was introduced by Reps. Chrissy Houlahan and Fred Upton. Protections against fraud and misrepresentation would safeguard the integrity of the program. These bills have broad bipartisan and bicameral support and should be part of any package advanced before year-end.

## **Restore Full Forgiveness for All Economic Injury Disaster Loan Advances (EIDL)**

Pandemic relief must include the EIDL Forgiveness Act (S. 4927/H.R. 8361), introduced in the Senate by Senators Angus King and Steve Daines and in the House by Reps. Joe Neguse and John Curtis. EIDL Advance forgiveness is also included in the Heroes Small Business Relief Act, sponsored by Senator Ben Cardin, and the updated version of the HEROES Act, passed by the House on October 1, 2020. We do not believe it was the intent of Congress to effectively trap one million vulnerable small businesses with unexpected debt.

## **Exclude PPP Loans from Regulatory Asset Thresholds**

Pandemic relief should include legislation to direct the federal banking regulators to exclude PPP loans from bank and bank holding company asset threshold calculations. Many community banks will incur costly and burdensome new regulatory requirements as an unintended consequence of their PPP lending. These banks should not be punished for providing a lifeline to the small businesses and non-profit organizations that sustain their communities and local jobs. Legislation sponsored by Mike Lee in the Senate (S. 4875) and Barry Loudermilk and David Scott in the House (H.R. 8675) would adjust asset threshold calculations to exclude PPP loans.

## **Bank Capital and Accounting Relief**

Additional measures are necessary to support borrowers and lenders facing historically challenging circumstances. Banks' strong capitalization at the beginning of the crisis means that the recommendations noted below could be implemented without compromising safety and soundness.

- Extend Troubled Debt Restructuring (TDR) provisions of the CARES Act through December 31, 2021.
- Make 8% Community Bank Leverage Ratio (CBLR) permanent for institutions of \$10 billion or less in assets.
- Suspend FASB's Current Expected Credit Losses (CECL) implementation until 2025.

## **Recommendations for Paycheck Protection Program Second Draw Loans**

If Congress approves a second draw of PPP, we recommend that terms be generally consistent with those of the current program with regard to interest rates and lender fees, though with simplified forgiveness and forgiveness of EIDL Advance grants as discussed above. However, we recommend the following changes:

- Eligible small businesses should include those that meet the applicable SBA revenue size standard, have no more than 300 employees and demonstrate at least a 25 percent reduction in gross revenues between comparison quarters in 2019 and 2020.
- The program should include a set-aside for entities with 10 or fewer employees as well as a set-aside of at least \$10 billion for loans made by community banks.
- The maximum loan size would equal 2.5 times average total monthly payroll costs, up to \$2 million. Businesses that received a PPP loan may not receive another PPP loan that aggregates to more than \$10 million.
- The 60/40 cost allocation for payroll and non-payroll costs to receive full PPP forgiveness would continue to apply.
- A flexible loan term of no longer than five years to be mutually agreed upon between lender and borrower.

Thank you for your consideration. It is critically important that Congress pass pandemic relief legislation in the short time that remains in the 116<sup>th</sup> Congress. We look forward to continuing to work with you to sustain the American economy as this crisis evolves.

Sincerely,

/s/

Rebeca Romero Rainey  
President and CEO

CC: Senate Banking Committee Chairman Mike Crapo  
Senate Banking Committee Ranking Member Sherrod Brown  
House Financial Services Committee Chairwoman Maxine Waters  
House Financial Services Committee Ranking Member Patrick McHenry

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WASHINGTON, DC  
1615 L Street NW  
Suite 900  
Washington, DC 20036

SAUK CENTRE, MN  
518 Lincoln Road  
P.O. Box 267  
Sauk Centre, MN 56378

866-843-4222  
[www.icba.org](http://www.icba.org)