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May 6, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

On behalf of community banks across the country, with more than 52,000 locations, I write to express our concerns with regard to the availability of loan forgiveness of loans extended through the Paycheck Protection Program (PPP). Community banks have worked diligently to help ensure the Program is providing credit to small businesses nationwide. We make several recommendations below.

First, we urge you to reconsider the SBA’s current, non-statutory requirement that 75 percent of PPP loan proceeds must be spent on retaining payroll and no more than 25 percent of the loan forgiveness amount may be spent on other overhead costs. This requirement is impractical, unreasonably limiting, and not suited to the reality facing many businesses. For example, in many markets across the country, rent is a significant expense and must be paid to keep the business open. Greater flexibility should be considered to best help businesses remain viable. **We recommend lowering the 75 percent payroll expense requirement to no more than 50 percent.**

Second, we urge Treasury and the Small Business Administration (SBA) to promptly provide a straightforward, easy-to-apply approach to loan forgiveness. **A PPP loan forgiveness calculator, for example would allow the borrower and lender to easily determine the forgiven amount.** The certainty provided by such a calculator would allow borrowers to focus on bringing their businesses back to viability. The last thing they need in this challenging environment is the distraction of complex calculations.

Third, for all loans with an original balance of \$1 million or less, ICBA recommends a presumption of compliance based on the borrower’s certification that the funds were used in accordance with the terms of the program. A disproportionately high number of applications were submitted to the SBA by community banks. Detailed review of each loan is simply not practical for borrowers or lenders. A presumption of compliance for these borrowers will allow business owners to focus on their businesses and the safety of their employees and

The Nation’s Voice for Community Banks.®

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customers. A threshold of \$1 million for presumed compliance would be consistent with Secretary Mnuchin's intention to focus audit resources of loans in excess of \$2 million.

Currently, the terms and conditions for PPP forgiveness continue to be complex and ambiguous with little guidance provided thus far. The rules and guidance on PPP forgiveness must be clear and reliable so small businesses can make informed decisions as they begin to spend PPP funds. This lack of clarity is inhibiting critical spending, and only clear and reliable guidance will allow the Program to reach its potential.

Finally, we urge you to address the many questions that have arisen with regard to the process and calculation related to PPP loan forgiveness:

- What are the consequences if the borrower spends less than 75 percent of the PPP loan on payroll expenses?
- What constitutes full-time staff and new hires? How should wages paid to tipped and seasonal workers be calculated?
- Are "payments" made in the 8-week period limited to cash payments of payroll and expenses or are accrued expenses during that period acceptable for forgiveness?
- What form of proof or documentation will be required from borrowers for qualified loan forgiveness items?
- How will payroll expenses and other forgivable expenses be determined for self-employed borrowers, including those with home offices?
- Do a business's self-rental payments qualify for forgiveness?
- How, specifically, does SBA intend to remit forgiveness amounts to lenders?

These are just a few of the many questions and concerns that surround the forgiveness phase of the PPP.

We urge your immediate attention to these critical issues and thank you for your continued work to help our nation's small businesses.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC: Deputy Secretary of the Treasury Justin Muzinich
Senate Small Business and Entrepreneurship Chairman Marco Rubio
Senate Small Business and Entrepreneurship Ranking Member Benjamin Cardin
House Small Business Chairwoman Nydia Velázquez
House Small Business Ranking Member Steve Chabot

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