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June 8, 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 3<sup>rd</sup> 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 regarding loan forgiveness under the Paycheck Protection Program (PPP). While the Paycheck Protection Program Flexibility Act (H.R. 7010), which the President signed into law last Friday, has created welcome program flexibility, the forgiveness process and application to date remain far too complex and onerous for both small businesses and lenders. As you know, community banks have worked diligently to ensure the Program successfully reaches small businesses nationwide. An unnecessarily complex forgiveness process would compromise the tremendous potential of the PPP to facilitate a strong and rapid recovery of employment and economic growth.

Borrowers should not have to hire accountants at exorbitant fees to assist with loan forgiveness. Borrowers whose first language is not English should not be forced to struggle with complex forms and procedures. We urge your consideration of several recommendations for simplifying PPP loan forgiveness:

- **Ease of Application with EZ-Form.** Treasury and the Small Business Administration (SBA) should promptly provide a straightforward, easy-to-apply approach to loan forgiveness. The 11-page application released by Treasury on May 15 is overly complex and detailed. We urge you to create a much shorter and simpler form akin to the IRS Form 1040EZ.
- **Loan Forgiveness Calculator.** We continue to urge Treasury and SBA to provide an online loan forgiveness calculator that would allow the borrower and lender to easily determine the forgiven amount. The certainty provided by a short form and calculator would allow borrowers to focus on bringing their businesses back to viability and protecting employees and customers. The last thing they need in this challenging environment is the distraction of complex calculations.

*The Nation's Voice for Community Banks.*®

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- **Presumption of Forgiveness Compliance for Loans of \$1 Million or Less.** Congress intended the PPP to be essentially a grant program to help small businesses retain workers. 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 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. A presumption of compliance is consistent with vigorous pursuit of fraud by lenders, Treasury, and SBA.
- **SBA Should Buy Residual PPP Loans at Par.** After the forgiveness amount has been determined, the SBA should purchase remaining PPP loans at par from originating institutions. **This would create greater bank balance sheet capacity to spur additional lending.** The high volume of PPP lending done by community banks to meet the urgent demands of the crisis is absorbing their balance sheets. As we enter the recovery, banks need ample balance sheet capacity to support small businesses in their markets. SBA purchase of PPP loans at par would address this need.
- **Preserve Tax Deduction for Business Expenses.** ICBA believes it was the intention of Congress to allow PPP borrowers who obtain forgiveness to continue to deduct payroll and other ordinary business expenses. Denying this deduction effectively reduces the value of forgiven amounts and undermines the true potential of the Program. We urge your support for the Small Business Expense Protection Act (S. 3612/H.R. 6821), introduced in the Senate by Senator John Cornyn and in the House by Representative George Holding, which would preserve this important deduction.

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