

April 7, 2020

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

Re: Community Development Financial Institution Concerns Regarding the Implementation of the Paycheck Protection Program

Dear Administrator Carranza:

On behalf of Opportunity Finance Network (OFN), a community development financial institution (CDFI) membership organization, I am contacting you with our concerns regarding the implementation of the Paycheck Protection Program (PPP). OFN represents and serves a diverse membership of more than 280 CDFIs of various asset sizes and lending types serving rural, urban and Native communities in all 50 states.

CDFIs are on the front lines in responding to the economic impacts of COVID-19, ensuring access to credit for impacted businesses, nonprofits, healthcare facilities and individuals in our nation's low-wealth communities. As mission-driven organizations, CDFIs are adept at responding during a crisis like this one. From natural disasters such as hurricanes Katrina, Sandy, Maria and Harvey, to the 2008 financial crisis and the aftermath of 9/11, CDFIs have a strong record of stepping in as the financial first responders to support families and communities in their recovery efforts. CDFIs have two roles to play under the PPP. The first is as a lender to make PPP loans to their small business customers. The second is as a borrower as CDFIs are nonprofit organizations and small businesses themselves.

CDFIs as Eligible Lenders

We strongly recommend that all Treasury-certified CDFIs should be eligible PPP lenders. The credential of CDFI certification has a 25-year track record of success and currently serves as an eligibility screen for numerous public and private sector programs. In particular, we believe this approval should be fast-tracked for those institutions that already have a relationship with the SBA and participate in SBA programs, such as Community Advantage, the 504-loan program, and the Microloan program. The requirement of \$50 million in business loans or other commercial financial receivables during a consecutive 12-month period in the past 36 months in the interim final rule is a threshold that would exclude many high performing CDFI business lenders.

Including CDFIs as eligible lenders will also enhance the program's capacity to reach more business owners. Although the program opened just days ago, small business owners are reaching out to banks to find that they are already oversubscribed and are not accepting applications. Other banks are limiting their programs to existing small business clients or imposing minimum loan size requirements that will exclude businesses that only qualify for smaller loans. Many business owners



will be unable to access this critical funding, in particular the businesses typically served by CDFIS. Including certified CDFIs as eligible PPP lenders is an opportunity to serve many more small businesses struggling to keep their doors open, and to fill the gaps for the customers not well served by mainstream financial institutions.

CDFIs as Eligible Borrowers

In order to continue to serve their existing clients and meet the evolving needs in their communities, CDFIs must be in the strongest possible financial position. The CARES Act and the interim final rule are clear that 501(c)3 nonprofit organizations are eligible borrowers. The majority of CDFI loan funds are structured as nonprofit organizations. As nonprofit small businesses, they are vulnerable to the same economic issues facing all other small businesses in this time. Some banks have denied PPP applications from nonprofit CDFI loan funds, citing [SBA regulations](#) that make businesses whose primary business is lending, ineligible for SBA loan programs. **Immediate, public guidance from the SBA is needed to make it clear to lenders that 501(c)3 nonprofit organizations are able to borrow under the PPP.**

Secondary Market for PPP Loans

A secondary market for lenders to sell PPP loans is critical to ensuring liquidity for lenders in the program who must initially fund these loans with their own capital. As the SBA works with the Treasury Department and Federal Reserve to stand up this secondary market, it is crucial that this not be limited to banks. The record-level demand for these PPP funds will place constraints on all lenders participating in the program and increase the need for additional capital to fund these loans. All PPP lenders must have access to the secondary market to ensure that capital can continue to flow to businesses.

Thank you for your consideration of our request. Please feel free to reach out to me with any questions and we look forward to continuing to work with you to ensure these funds reach the communities that need them most.

Sincerely,

Lisa Mensah
President and CEO
Opportunity Finance Network

cc: Bill Briggs, Senior Advisor
Bill Manger, Associate Administrator
Jodie Harris, CDFI Fund Director