

January 21, 2021

Mr. John Miller
Acting Associate Administrator
Office of Capital Access
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 Miller:

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 330 CDFIs of various asset sizes and lending types serving rural, urban, and Native communities in all 50 states.

After continued urging by OFN, community lenders, and small businesses last year, SBA prioritized small businesses located in low-wealth communities in its 2021 extension of the PPP. The CDFI industry is encouraged by the SBA's recognition that CDFIs and other community lenders are best positioned to drive PPP to minority-owned, women-owned, and other underserved businesses. Unfortunately, some of the efforts to prioritize the needs of these small businesses were hampered by missteps in the program rollout.

The scale of the crisis facing small businesses necessitates rapid implementation of this round of the Paycheck Protection Program. Receiving aid quickly is especially critical for very small, minority owned, and other marginalized businesses prioritized by Congress and the SBA. To reach these target markets, the SBA dedicated the first few days to PPP applications from community financial institutions (CFIs), including CDFIs.

The window of dedicated access delivered results: CFIs and other small lenders made more than 60,000 PPP loans totaling more than \$5 billion. However, a smoother rollout would have allowed even more struggling businesses to access PPP funds quickly.

The program opened January 11, 2021 with mission lenders racing to understand SBA's new systems and program rules, many of which were published just a few hours earlier. In addition,



CDFIs encountered issues with the SBA's new lending platform, delayed and incomplete guidance from SBA, and limited access to technical assistance:

- **New Lending Platform.** SBA moved to a cloud-based platform aimed at reducing bottlenecks created when large number of applications from large lenders were submitted at once. However, guidance to help lenders use the system to process new PPP applications was unveiled just a few days before the portal opened, leaving little time for staff training or technical assistance. One lender noted that glitches in the new SBA platform slowed their productivity by as much as 80 percent. In addition, the borrower information that was prepopulated in the E-Tran system was not available in the new system portal. Lenders had to resubmit the information, wasting valuable processing time during the dedicated window.

Our members also noted that the shift from automatic approvals in the last round of PPP to a loan approval time of up to 48 hours impacted their ability to process a high volume of loans. Lenders expressed frustration as there was strong demand from new and existing customers for first and second draw PPP loans. This extended turnaround time could result in a significant backlog of applications as SBA opens access to all PPP lenders and loan volume increases.

- **Delayed and Incomplete Guidance.** New loan documents and guidelines related to eligible uses of funds, expanded eligibility for new applicants, and requirements for borrowers seeking a second PPP loan — were all made available to lenders less than 48 hours before the opening of the portal to CFIs. SBA's guidance on documentation requirements and critical details on the calculation of gross receipts was not released until January 17th and January 19th, over a week after opening the program to CFIs. There are even more delays on getting guidance and materials on the accelerated applications for forgiveness on loans less than \$150,000. The opening of the program to the public without key guidance created confusion and impacted the ability of CFIs to appropriately serve their customers.
- **Limited Access to Technical Support.** Lenders noted difficulty accessing timely assistance through SBA's helpline when technical problems arose. Updates to the PPP lending portal were made even as CFIs were processing loans, but without SBA providing appropriate technical assistance to help lenders understand those changes. Specifically, lenders report that error messages were confusing, key calculations for loan amounts were inaccurate, and their staff encountered problems trying to connect with SBA staff.

For example, calls to the PPP lender platform hotline directed you to submit an email, but most of those emails did not receive a reply – one lender reported only one of ten emails submitted received a response. While SBA did warn lenders to have patience and expect delays, these technical challenges negatively impacted the ability of CDFIs to fully take advantage of the dedicated access when the program opened.



Although the initial rollout of the 2021 PPP funding round was very challenging, there is still time to implement changes to help reach more underserved businesses. To ensure a smooth continuation of the program, OFN has the following recommendations:

- **Ongoing dedicated access to lending portals for CFIs.** The PPP lending platform should have dedicated access for CFIs for at least two hours each day. SBA should also consider another two- or three-day exclusive window of dedicated access for CFIs in February. This will ensure lenders can provide the technical assistance to underserved businesses to prepare their applications and that there is time for their loans to be processed.
- **Updates on PPP lending set-asides.** The SBA should continue to provide weekly public reports on the usage of PPP and the set-asides and publish the daily balance remaining of the CFI set aside for the PPP funding rounds. This will help lenders understand how much PPP funding remain available for underserved communities. That way our industry can see how much is left for our target communities.
- **Clear and consistent communication from SBA.** The short notice provided to lenders about the CFI window opening created unnecessary hardship for lenders. Many CFIs are small lenders with limited staff that were required to pivot quickly to reactivate their PPP lending systems, understand new rules, navigate an entirely new system, all while being expected to quickly process thousands of loans. Improved guidance and better communication directly with lenders, not just trade associations, will ensure more PPP loans are made to the businesses that need them most.
- **Improved Technical Assistance.** SBA must improve responsiveness on helplines and other technical assistance platforms and provide timely answers to lender inquiries. In addition, major changes in technology or systems should be accompanied by training and technical assistance before the platform becomes operational.

Thank you for your consideration of our recommendations. Please feel free to reach out with any questions. We look forward to continuing to work with you to ensure these funds reach marginalized small businesses.

Sincerely,

Lisa Mensah
President and CEO
Opportunity Finance Network