

May 25, 2021

Ms. Isabel Guzman
Administrator
Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Re: Community Development Financial Institution Concerns Forgiveness of Paycheck Protection Program Loans

Dear Administrator Guzman:

On behalf of Opportunity Finance Network (OFN), a community development financial institution (CDFI) membership organization of more than 340 CDFIs, I am writing to urge the Small Business Administration (SBA) to provide automatic, universal loan forgiveness for Paycheck Protection Program (PPP) loans of less than \$50,000.

Community Financial Institutions (CFIs), including more than 50 CDFI PPP lenders in our network, have been critical to ensuring PPP loans reach underserved businesses. Their success has been clear – making more than \$30 billion in PPP loans - far outstripping the \$15 billion set-aside by Congress - with a higher proportion of their loans reaching underserved businesses compared to every other type of PPP lender.¹

As the window for originating new PPP loans draws to a close, CDFIs are encountering challenges relating to loan forgiveness of PPP loans. In spite of a clear directive from Congress in H.R. 133 to streamline the forgiveness process for loans of \$150,000 or less and the SBA's own policy to simplify forgiveness for loans of \$50,000 or less - our members report that SBA is still making onerous requests for additional documentation and auditing smaller dollar PPP loans.

The SBA's process for auditing PPP loans imposes a significant compliance burden on the small businesses served by CDFIs whose average loan size tended to be much smaller than other PPP lenders. Our members report that the audits are focused on very small loans, sometimes of \$2,000 or less, and apply regulations and rules associated with larger companies to very small businesses. One CDFI reported the SBA audited 200 PPP loans made in the first round, many of which sought unnecessary or nonexistent documentation, such as requesting corporate documents for sole proprietors. The audits initiated a 'back and forth' with the SBA that consumed as much as five hours of staff time per audit. After hundreds of hours of time invested by business owners, the CDFI, and agency staff, SBA ultimately did not identify any problems and all 200 loans audited were fully forgiven.

Another CDFI reports having to make major investments in technical support to help borrowers navigate the forgiveness process including multiple customized communications with borrowers, producing technical assistance videos and written materials, and having staff pre-populate the SBA's 3508S forgiveness forms to support business owners. In spite of these efforts to make the

¹ https://www.sba.gov/sites/default/files/2021-05/PPP_Report_Public_210523-508.pdf



forgiveness process smoother for their customers, SBA's internal processes for auditing PPP loans continue to create significant challenges for their small business customers.

The primary driver of this excessive scrutiny is that SBA's audit processes are designed for larger businesses and corporations, not the sole proprietors and independent contractors many CDFIs serve. These audit requests are time consuming and expensive for small business owners that sought PPP from CDFIs, many of which are very small businesses that received PPP loans of less than \$50,000. This burdensome process creates stress and anxiety for business owners and diverts CDFI staff time away from originating new PPP loans and providing other lending and technical assistance services.

While program oversight is important for all federal programs to prevent fraud and abuse, the SBA's requests are creating resource constraints on the very lenders and businesses both Congress and the Biden Administration seek to help. These audits are also an unnecessary and wasteful use of taxpayer resources and limited staff capacity at the SBA.

Providing automatic, universal forgiveness of all PPP loans of less than \$50,000 will ease the burden on the smallest businesses to help them focus on the emerging economic recovery. For CDFIs, it will enable more capital deployment and lending to address the increased demand for small business financing. It will also enable the SBA to target its resources on audits of larger PPP loans.

The SBA must address the ongoing issues in the forgiveness process before the next round of PPP loans become eligible for forgiveness. This policy change would bring much needed relief to both CDFIs and the businesses the SBA has made an effort to prioritize in this last round.

Thank you for your consideration of this recommendation. Please do not hesitate to reach out with any questions at dwilliams@ofn.org or 202.868.6922.

Kind regards,

Dafina Williams

Dafina Williams

SVP, Public Policy

CC: Patrick Kelley, Office of Capital Access

Jodie Harris, CDFI Fund