

April 22, 2020

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Powell:

On behalf of the Opportunity Finance Network (OFN), a national association of more than 280 community development financial institutions (CDFIs), I am writing to urge you to immediately open the Federal Reserve's Paycheck Protection Program (PPP) lending facility to allow purchasing of PPP loans originated by non-depository certified CDFIs.

The new lending facility was created to support the effectiveness of the PPP by supplying financial institutions with additional liquidity to increase their capacity to make PPP loans. However, the facility is currently only open for PPP loan purchases from depository financial institutions. Excluding the loans made by non-depository CDFIs is preventing access to critically needed liquidity for the CDFIs extending PPP loans to small businesses in their communities.

CDFIs currently participating in the Paycheck Protection Program (PPP) are providing loans to small businesses that lack banking relationships and are unlikely to secure PPP assistance from other lenders. The CDFI industry is deeply concerned that without access to the PPP lending facility, we will not have the liquidity needed to continue making PPP loans to underserved small businesses, including businesses owned by women and people of color and those in low-to-moderate income and rural communities.

These businesses are a critical part of the small business ecosystem but are often underserved by mainstream financial institutions. Many are seeking relatively small loans that are critical for the continuity of the operations of their businesses, but that are not likely to be a high priority for conventional financial institutions. CDFIs in our network currently participating in PPP, report making loans ranging in size from as small as \$2,000 to sole proprietors to an average of about \$30,000 for small businesses with employees. By contrast, the Small Business Administration (SBA) reports that the average size of a PPP loan in the first round of funding was \$206,000. Moreover, nearly 83 percent of the loans made through PPP were for more than \$150,000.¹ Our nation's smallest and most vulnerable businesses



are not being reached through this relief program, and CDFIs are providing a critical lifeline with their PPP lending.

CDFIs have the capacity to underwrite and process many more PPP loans, but the demand for PPP loans outstrips their ability to fund these loans without access to the Federal Reserve's low-cost lending facilities. The Federal Reserve indicated guidance for non-depository lenders seeking access to the facility would be forthcoming; to date, that guidance has not been published. Without swift action from the Federal Reserve to open the PPP lending facility to our industry, CDFIs will be forced to turn away these underserved small businesses that do not have other options for accessing capital. These business owners may be forced to shutter operations or turn to high-cost predatory lending to meet their financing needs. OFN strongly urges the Federal Reserve to open the PPP lending facility today and extend much-needed credit to non-depository CDFIs.

Thank you for your consideration. Please do not hesitate to reach out with any questions.

Lisa Mensah
President and CEO