

January 22, 2019

The Honorable Donald J. Trump
President of the United States
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20510

Dear Mr. President, Speaker Pelosi, Majority Leader McConnell, Minority Leader Schumer and Minority Leader McCarthy:

On behalf of the Consumer Bankers Association (CBA), I write to call attention to the partial government shutdown's impact on small business borrowers who rely on the Small Business Administration's (SBA) 7(a) and 504 loan programs and to recommend all options be explored to reopen these critical programs. Additionally, the SBA and Congress must ensure workarounds do not affect borrowers' future SBA loan eligibility due to the "credit elsewhere" test.

CBA member products and services provide access to credit to millions of consumers and small businesses. Our members operate in all 50 states, serve more than 150 million Americans, make \$4 trillion in consumer loans and provide \$285 billion in small business loans. In addition, of the 100 most active SBA 7(a) lenders, CBA members make the majority of 7(a) loans.

Small businesses were among the first to feel the effects of this shutdown due to the inability of the SBA to process and guarantee loans within its programs, including the important 7(a) and 504 programs, among others. These programs, which work with preferred lenders, remain a vital source of lending for many small businesses that would not otherwise qualify for conventional lending. The 7(a) program alone authorized \$29 billion in loans in Fiscal Year 2018. According to recent reports, a significant fraction of SBA lending – approximately \$2 billion – has already been delayed, totaling approximately 300 loans per day.

Small business loans help businesses on Main Streets across the nation employ approximately one out of every two American workers and generate nearly half of all private sector GDP. These loans also allow America's small businesses to expand, hire new workers and grow local economies. In addition to the loss of these positive economic factors, there can be even more dire consequences of failing to gain SBA loan approval. There have been reports of small businesses having to absorb large deposit payments on purchases which were dependent on SBA loans and incurring high costs from non-traditional lenders in order to meet payroll.

CBA members worked to process as many SBA loans as possible prior to the December 22, 2018, funding lapse. Banks are continuing to process SBA loan applications to ensure they will be in the front of the queue once SBA reopens. In the meantime, CBA banks are also exploring ways to accommodate lending for these businesses, but under the "credit elsewhere" requirement in SBA loan programs, many of these entrepreneurs are not eligible for traditional business loans. Under the same clause, CBA Small Business Banking Committee members also have raised concerns that offering temporary bridge loans to affected small businesses may make them ineligible for traditional SBA loans once the government reopens.

In order to help mitigate the economic ripple effects of the government shutdown, CBA requests that all options be explored to reopen the SBA's 7(a) and 504 loan programs, which are essential to the success of so many small businesses in our country. Additionally, CBA calls for SBA and Congress to work together to ensure that no small business awaiting SBA loan approval due to the shutdown should be penalized from future SBA loan eligibility for taking out a temporary bridge loan.

CBA member institutions work with customers facing hardships – whether manmade or natural – every day. Since day one of the shutdown, banks have been working with customers on a one-on-one basis as federal employees begin missing paychecks and small businesses are not able to access SBA loans.

Banks are committed to offering assistance in a variety of forms, including:

- Deferments;
- Temporary hardship programs;
- Automatically waiving or refunding overdraft and monthly service fees;
- Increasing overdraft limits;
- Offering access to certificates of deposit without penalty;
- Providing loan payment assistance;
- Suspending collection calls; and,
- Streamlining unsecured loans.

On behalf of our members and their small business customers, I would like to thank you for your consideration.

Sincerely,



Richard Hunt
President and CEO
Consumer Bankers Association

CC: SBA Administrator Linda McMahon
Senator Marco Rubio
Senator Ben Cardin
Representative Nydia Velázquez
Representative Steve Chabot