



March 28, 2020

Administrator Jovita Carranza  
Small Business Administration  
409 Third Street, SW  
Washington, D.C.

**RE: COVID 19 - Emergency Small Business Lending Measures**

Dear Administrator Carranza:

America's small businesses, and the millions of men and women who work at them, are the foundations of communities across the country. These businesses and their employees now face immediate economic threats related to the COVID-19 pandemic.

Of the 100 most active Small Business Administration 7(a) lenders, members of the Consumer Bankers Association make the majority of the total volume. Our members are ready to do everything humanly possible to support U.S. small businesses and would like to express support for the SBA's immediate efforts to implement small business assistance provisions in the Coronavirus Aid, Relief, and Economic Security (CARES) Act<sup>1</sup>.

We do, however, have concerns that without proper implementation of these expanded programs, banks will be hard-pressed to deliver the volume of assistance necessary in a timely manner.

To help address this concern and ensure banks can serve small businesses across the country, CBA urges the SBA to implement, to the extent possibly, a fully digital process. This would eliminate the collection of documents, the validation of borrower circumstances, and would leverage the existing bank systems in place for loan origination and data tracking – all critical considering the current circumstances.

Without these provisions and removing burdensome requirements, assistance will be unnecessarily delayed and American workers could face lengthy delays in receiving paychecks.

In order to help SBA implement a seamless system for the new stimulus provisions, CBA submits the following recommendations for your immediate consideration. We believe these are threshold issues that will need to be addressed prior to effective funding from the CARES Act.

We look forward to working with the SBA on this critical issue.

Sincerely,

A handwritten signature in black ink that reads 'Richard Hunt'.

Richard Hunt  
President and CEO  
Consumer Bankers Association

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<sup>1</sup> H.R. 748, 116th Cong., § 1102(a)(2) (2020).

**Proposal: Borrower and Lender Requirements for Originating  
CARES Act Paycheck Protection Program (PPP) Loans**

**LOAN ORIGINATION**

Borrowers

Borrowers are responsible for:

- Accurately completing and signing the modified Form 1919
- Calculating the maximum loan amount based on the requirements under the Act
  - We acknowledge this is dependent upon the level of hold harmless that applies
- Certifying (1) they meet the definition of a eligible small business, (2) they were in business on February 15, 2020, (3) they had employees for whom they paid salaries and payroll taxes, or paid independent contractors, (4) the loan amount is correctly calculated, and (5) all other required items under Section 1102 (a)(2), beginning page 23, line 4, (“Borrower Requirements”) et seq.<sup>2</sup>
- Executing the note
  - The Form 1919 and the note can be signed either (1) electronically or (2) by hand and submitting the originals or scanned copies to the lender
- Applying the funds towards permitted uses of proceeds only
  - We ask for SBA to clarify additional uses of proceeds under existing 7(a) provisions

Borrowers are NOT responsible for:

- Pledging collateral for the loan
- Providing personal guarantees for the loan
- Submitting financial statements, tax returns, or proof of disbursements to the lender

Lenders

Lenders are responsible for:

- Obtaining a completed and signed Form 1919 from the borrower
- Obtaining an executed note from the borrower
- Entering the loan in ETRAN
  - Approval by SBA for lenders to bulk register or register after-the-fact would expedite the process (the attendant risks of these options are noted)
- Deferring payments for at least six (6) months but not longer than twelve (12) months, including loans repurchased from the secondary market by the SBA
- Complying with all secondary market requirements when loans are sold as detailed in Sections 1102 and 1106

Lenders are NOT responsible for:

- Validating any information provided by the borrower
- Underwriting the borrower for creditworthiness using scoring, ability-to-repay, or otherwise
- Determining whether the borrower can obtain credit elsewhere or if affiliation exists
- Obtaining physical documents with wet signatures
- Controlling the use of proceeds

Lenders will retain their 100% guarantee and be otherwise held harmless if they conform to all the above.

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<sup>2</sup> The Coronavirus Aid, Relief, and Economic Security (CARES) Act, H.R. 748, 116th Cong., § 1102(a)(2) (2020).

## LOAN FORGIVENESS

### Borrowers

Borrowers are responsible for:

- Submitting the required application for forgiveness to the lender
- Providing the required documentation under Section 1106 (e), beginning page 49, line 22, (“Application”) et seq.<sup>3</sup> to the lender
- Certifying the submission as required by the Act, including that the above is true and correct

### Lenders

Lenders are responsible for:

- Collecting the application for forgiveness and other required information from the borrower
- Issuing a decision on the request for loan forgiveness within 60 days after receiving the application
- Submitting the request for early reimbursement of the anticipated forgiveness amount and submitting the request for reimbursement at the time of forgiveness to the SBA in accordance with the process established by the SBA (to be determined)
  - A streamlined process for PPP loans would be highly desirable

Lenders are NOT responsible for:

- Validating any information provided by the borrower

Lenders will be held harmless if they conform to all the above and any other requirements specified by the SBA.

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<sup>3</sup> CARES Act § 1106(e).