

July 16, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

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

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

On behalf of the Independent Community Bankers of America and the undersigned state banking associations representing over 50,000 community bank locations across the nation, we write to urge you to include our recommendations in the next legislative package to create relief for American small businesses impacted by COVID-19 and the millions of people they employ. These recommendations were developed in consultation with community bankers from across the country representing rural, suburban, and urban markets. ICBA's [June 24 letter to Congress](#) provides a fuller explanation and rationale for these recommendations.

Simplified Forms and Procedures for Paycheck Protection Program Loan Forgiveness. We strongly support S. 4117, introduced by Senator Kevin Cramer, which would create a presumption of compliance and forgiveness for PPP loans with an original balance of \$150,000 or less based on the borrower's certification that the funds were used in accordance with the terms of the program. Protections against fraud and misrepresentation would still apply.

In addition, Congress should create a straightforward, easy-to-apply approach to loan forgiveness, which should include an online PPP loan forgiveness calculator provided or certified by Treasury and the Small Business Administration (SBA). The Calculate PPP Forgiveness Act (H.R. 7413/S. 4171) would provide for such a calculator.

SBA Purchase of Residual PPP Loans at Par. After the forgiveness amount of a PPP loan has been determined, the SBA should purchase the remaining loan at par from originating institutions.

Preserve Expense Deduction for PPP Borrowers. Allow PPP borrowers that also obtain loan forgiveness to deduct payroll and other business expenses, as provided for by the Small Business Expense Protection Act of 2020 (S. 3612/H.R. 6821).

Bank Capital and Accounting Relief. Enact bank capital and accounting relief measures to support borrowers and lenders facing historically challenging circumstances. Banks' strong capitalization at the beginning of the crisis means that capital and accounting can be implemented without compromising safety and soundness. Our recommendations include:

- Extension of Troubled Debt Restructuring (TDR) provisions of the CARES Act through December 31, 2021 and suspension of impairments of COVID-19-impacted assets for a period of two years. COVID-19-related loan losses should be amortized over a 7- or 12-year period depending on the type of collateral backing the loan. PPP lending should have no impact on a community bank's risk-based capital and leverage ratios.
- Suspension of FASB's Current Expected Credit Losses (CECL) implementation until 2025.
- Making the 8% Community Bank Leverage Ratio (CBLR) permanent for institutions of \$10 billion or less in assets.

Liability Protection. Create a liability safe harbor for businesses from COVID-19-related lawsuits. Community banks and small businesses have strong incentives to ensure the safety of their employees and customers. Fear of opportunistic class actions or other suits will inhibit the restoration of economic activity and potentially transfer wealth from employers to trial lawyers.

Support Agricultural Lending. Allow interest on loans secured by agricultural real estate or primary residences in rural communities to be tax-exempt as provided for in the Enhancing Credit Opportunities in Rural America (ECORA Act, H.R. 1872/S. 1641).

Expand Employee Retention Tax Credit. We support the Jobs Credit Act of 2020 (H.R. 6776), which would expand the Employee Retention Tax Credit (ERTC) created by the CARES Act. We further recommend that the ERTC be available to businesses that have been deemed essential, such as banks that have closed their lobbies to the public.

Industrial Loan Company Moratorium. We urge Congress to enact a moratorium of at least three years on the FDIC's approval of deposit insurance applications for ILCs. A three-year moratorium was included in the Dodd-Frank Act as an appropriate response to a highly uncertain economic environment.

Mortgage Lending. We urge Congress to extend the government sponsored enterprises' qualified mortgage patch to January 2022 to help avoid additional disruption to the housing market. We support aid to state and local Housing Finance Agencies for helping borrowers with mortgage payments, forbearance, and loan modifications. The Federal Reserve should establish a liquidity facility for all mortgage servicers.

Support for Local Regions. Raise current bank-qualified municipal bond annual issuance limit to \$50 million from \$10 million to expedite low-cost funding for local projects.

Financial Assistance to the Farm Sector. Provide additional direct financial assistance to farmers, ranchers and others involved in the food sector.

Enhance USDA Guaranteed Lending Programs. Increase funding and loan limits for USDA direct and guaranteed loan programs. Allow the Farm Services Agency (FSA) to reimburse borrowers for guaranteed loan fees through 2021. Temporarily suspend term limits on FSA direct operating loans through 2021.

Thank you for your consideration. We look forward to continuing to work with you to sustain the American economy as the ongoing crisis.

Sincerely,

Independent Community Bankers of America
Arkansas Community Bankers
California Community Banking Network
Independent Bankers of Colorado
Community Bankers Association of Georgia
Idaho Bankers Association
Indiana Bankers Association
Bluegrass Community Bankers Association
Massachusetts Bankers Association, Inc.
Community Bankers of Michigan
Missouri Independent Bankers Association
Montana Independent Bankers
Nebraska Independent Community Bankers
New Jersey Bankers Association

Independent Bankers Association of New York State
Community Bankers Association of Ohio
Oregon Bankers Association
Independent Banks of South Carolina
Tennessee Bankers Association
Virginia Association of Community Banks
Wisconsin Bankers Association
Wyoming Bankers Association

Alabama Bankers Association
Arizona Bankers Association
Connecticut Bankers Association
Florida Bankers Association
Community Bankers of Iowa
Community Bankers Association of Illinois
Community Bankers Association of Kansas
Louisiana Bankers Association
Maryland Bankers Association
Independent Community Bankers of Minnesota
Mississippi Bankers Association
Independent Community Banks of North Dakota
New Hampshire Bankers Association
Independent Community Bankers Association of New Mexico
North Carolina Bankers Association
Community Bankers Association of Oklahoma
Pennsylvania Association of Community Bankers
Independent Community Bankers of South Dakota
Independent Bankers Association of Texas
Community Bankers of Washington
Community Bankers of West Virginia

CC: Secretary of the Treasury Steven Mnuchin
Deputy Secretary of the Treasury Justin Muzinich
Small Business Administration Administrator Jovita Carranza
Federal Reserve Board Chairman Jerome Powell
Members of the U.S. House of Representatives
Members of the United States Senate