September 15, 2020

The Honorable Jovita Carranza
Administrator
US Small Business Administration
409 3rd Street, SW
Washington, DC 20416

Re: Modification of PPP Promissory Notes to Reflect New Payment Terms

Dear Administrator Carranza,

The Independent Community Bankers of America ("ICBA")[1] would once again like to thank the U.S. Small Business Administration ("SBA") for their tireless work to implement and administer the Paycheck Protection Program ("PPP"). Because of this program, thousands of community banks across the nation that have been able to bring emergency liquidity to small businesses and non-profit organizations in desperate need. History will show that your leadership in facilitating the origination and processing of PPP loans had an overwhelming impact on supporting the survival of small businesses amid the coronavirus pandemic. ICBA and its community bankers are appreciative of your efforts and look forward to working with you as the PPP evolves.

Because of all the changes in the program, community bankers have concerns about how they will service PPP loan balances that will remain following the forgiveness process. At the beginning of the program, community bankers had their PPP borrowers sign two-year promissory notes that allowed a six-month deferral of principal and interest, in accordance with the provisions of the CARES Act. However, the PPP Flexibility Act and implementing rules changed the loan deferral requirements so that borrowers have up to ten months to apply for loan forgiveness after their covered periods have ended. If the loan is fully forgiven, the borrower will not be required to make any payments. If the loan is not forgiven or is only partially forgiven, the borrower is not required to make any payments until forgiveness is denied, the forgiveness amount is remitted by SBA to the lender, or the borrower fails to apply for forgiveness within the ten-month window.

Consequently, community bankers are anticipating a wide range of loan amounts and loan payment schedules depending on when borrowers apply for forgiveness and when they receive notifications on SBA forgiveness decisions. Community banks that originated a large number of

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

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PPP loans will be required to expend a tremendous amount of staff resources to service many small loan balances that are not forgiven or are only partially forgiven.

Because the rules regarding payment deferrals and forgiveness have changed significantly since the program began, community banks need as much flexibility as possible to service their loans and modify their PPP loan documentation. Therefore, ICBA requests that SBA clarify that before the original six-month deferral period ends, lenders have the ability to modify the payment terms of multiple PPP loans in their portfolio by issuing a notice to the borrower that the terms have been modified to implement the new deferred payment terms, in lieu of obtaining a formal signed loan modification by the borrower.

Additionally, as lenders notify borrowers of the payment of the forgiveness amount and set the new payment schedule and payment amount, ICBA requests that SBA permit community banks to amend the terms of the loan to allow for a single payment of accrued interest and unpaid principal when the bank feels that such an option would mutually benefit the lender and the borrower. Consistent with the first request, such an amendment of terms could be accomplished by issuing a notice to the borrower that the terms of the loan have been modified to permit a single payment option, rather than having to get a signed modification agreement from each borrower. Allowing this flexibility will permit community banks to safely and efficiently service PPP loans with small balances for their customers without the concern that they are jeopardizing their SBA guarantee and without the burden of collecting small principal and interest payments monthly.

Thank you for your attention to our concerns.

Sincerely,

/s/

Rebeca Romero Rainey
President and CEO

CC:
The Honorable Steven Mnuchin
Secretary
U.S. Treasury
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