March 21, 2020

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

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

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

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

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

We are writing to strongly urge that the provisions which would enhance and incentivize SBA's 7(a) loan program be included in the final *CARES Act* legislation. This is of critical importance to the country's lending community if we want to stabilize the economy now.

Private-sector banks and credit unions, whether they currently participate in SBA lending or not, will be turning to the SBA's 7(a) loan program as the way to deliver capital and economic relief to the economy while conventional lending recedes in the wake of the current economic turmoil. However, in order to quickly stimulate essential lending, lenders need the tried and true enhancements that would encourage banks and credit unions to lend and borrowers to seek capital now.

We understand that the Senate's Small Business Task Force has been working to craft the "Small Business Interruption Loan Program," which would provide payroll relief for small businesses who retain their employees through a Small Business Administration (SBA) and Department of Treasury partnership. This new concept does not need to exist at the exclusion of the other 7(a) enhancement provisions that we know work and that lenders need. Congress should simultaneously provide the existing 7(a) loan program the enhancement provisions to spur on lending that can be done right now.

The enhancement provisions to the 7(a) loan program that the lending community needs in order to preserve the small business economy, include:

- fee waivers for small business borrowers and lenders;
- increased federal guaranty;
- increased deferment flexibility to remove existing hurdles and provide borrowers critical deferment relief;
- increased maximum loan size for all 7(a) loans;
- increased maximum loan size for Express loans;
- increased general 7(a) and secondary market authorization caps to allow for increased lending while utilizing the above enhancements; and in order to encourage speed in providing SBA loans,

- authority for the SBA Administrator to waive real estate appraisal requirements prior to loan closing; and
- authority for the SBA Administrator to suspend requirements that the income tax verifications are necessary prior to loan closing.

We are hearing from our members that the SBA departments at institutions across the country are being flooded as billions in small business loans are no longer able to be made conventionally. As in past periods of economic crisis, banks and credit unions turn to the 7(a) loan program as one of the most valuable tools to continue serving small business borrowers. We saw this exponential increase in SBA lending after the Great Recession. But this country's financial institutions are also going to be proceeding cautiously in the coming months, with less appetite to take on risk or additional costs. That is why these 7(a) loan program enhancement provisions are so critical right now.

We strongly urge you to include the general 7(a) loan program enhancement provisions in the final *CARES Act*. Without these enhancement provisions, Congress will not have done everything in its power to stabilize the financial system and prevent further economic consequences beyond what we've already are experiencing.

Sincerely,

American Bankers Association (ABA)

Consumer Bankers Association (CBA)

Community Development Bankers Association (CDBA)

Independent Community Bankers of America (ICBA)

National Association of Federally-Insured Credit Unions (NAFCU)

National Association of Government Guaranteed Lenders (NAGGL)