



DCUC
DEFENSE CREDIT UNION COUNCIL

1627 Eye St, NW
Suite 935
Washington, DC 20006

202.734.5007
www.d cuc.org

Anthony R. Hernandez
President/CEO

April 18, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street, S.W.
Washington, D.C. 20416

Re: Interim Guidance on SBA Paycheck Protection Program

Dear Secretary Mnuchin and Administrator Carranza:

On behalf of America's 181 Defense Credit Unions who, in turn, serve over 25 million members, I am writing in regard to interim final rules along with ongoing concerns posed by credit unions participating in the Paycheck Protection Program. The Defense Credit Union Council (DCUC) thanks the Small Business Administration's (SBA) unprecedented efforts in quickly rolling out this important program and we appreciate the monumental task in coordinating the actions of many financial institutions in providing critical assistance to America's working families.

America's not-for profit credit unions have an important place in the community and exist in many places where other financial institutions do not find profitable. Even before passage of the CARES Act, our member credit unions were already extending zero interest loans, offering skip payments without penalties, modifying loans, and extending credit to affected families. Many have struggled to offer business loans under the Paycheck Protection Program and are now facing the further frustration from business owners now that funding has been exhausted.

While we wait for Congress to negotiate and appropriate additional funds, we hope additional credit unions can gain approval to access the SBA's lending portals so we can continue to reach business owners in underserved communities. Additionally, this pause in funding allows us to work with our member credit unions in getting a better understanding of their concerns in executing this program. The most recent interim final rule answered many questions and was helpful in getting started. As we move through the program, here are some additional concerns we ask the SBA for greater clarity and guidance:

Loan Forgiveness. A key part of this program is in the forgiveness phase once our nation goes back to work. With the President's guidelines on Opening Up America Again, many states are ready to enter phase one. It would be helpful for our member credit unions to know when they can start accepting applications on loan forgiveness. In addition, while section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the Paycheck Protection Program (PPP), it is unclear if borrowers can apply unused funds to settle other debts. There are also concerns with differences in actual expenditures versus how the borrower documented their historical costs and how much variance the lender is allowed to tolerate in processing the request for loan forgiveness. Clarification would be very helpful.

Tracking and Documentation. While the current interim final rules offer some context on required documentation needed to apply for loan forgiveness, there are differences in types and size of borrowers along with all the variances in actual expenditures as previously mentioned. It would be helpful to gain additional clarity or a reasonable standard on what documentation is acceptable so that credit unions can help borrowers prepare proper documentation throughout the loan period. Additional guidance would be helpful in mitigating potential bottlenecks in processing forgiveness applications as America opens back up.

Mitigating Multiple and Fraudulent Applications. A number of our member credit unions report multiple applications from the same borrower when an application is uploaded into one of the lending portals. On one hand, we understand business owners are seeking relief from any financial institution able to process and disburse needed funding. However, this can slow the process as lenders need to contact the borrower and deconflict the discrepancy. Then there is the specter of fraudulent applications which not only take time to prevent, but can result in financial harm to the credit union.

Hold Harmless Assurances. Given concerns with fraudulent applications amidst a multitude of applications and over-reliance on borrower documentation for loan forgiveness, there are lingering concerns for continued assurances on hold harmless provisions within section 1106. As member-owned financial cooperatives, credit unions are naturally very careful with member funds along with preserving liquidity in order to continue making loans and other essential financial services in underserved communities. Although credit unions are always ready to serve our communities, we ask for the SBA to continue its emphasis on hold harmless assurances so credit union boards and executives can continue to take bold and confident steps in this crisis.

As strong community partners, we are always happy to work with the Treasury Department and the Small Business Administration in continuing to provide a better environment necessary for extending relief to our nation's working families. We hope the concerns raised in this letter help form recommendations and guidelines that assist our member credit unions in efficiently and safely executing this important program. Together, I know we can work together as we re-build our nation's economy.

If there is anything more we can do to provide additional information on these issues, please let us know. My office can be reached at (202) 734-5007 or at ahernandez@dcuc.org.

Sincerely,



Anthony R. Hernandez