Proposal: 1712(AF86) Reg Q; Paycheck Protection Program Lending Facility and Paycheck Protection Program Loans

Description:

Comment ID: 137224

From: Patrick Sells

Proposal: 1712(AF86) Reg Q; Paycheck Protection Program Lending Facility and Paycheck Protection Program Loans

Subject: Regulatory Capital Rule: Paycheck Protection Program Lending Facility and Paycheck Protection Progra

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Comments:

Date:Apr 25, 2020

Proposal:Regulatory Capital Rule: Paycheck Protection Program Lending Facility and Paycheck [R-1712]
Document ID:R-1712
Revision:1
First name:Patrick
Middle initial:
Last name:Sells
Affiliation (if any):
Affiliation Type:Commercial (Com)
Address line 1:1 Rockefeller Plaza
Address line 2:
City:New York
State:New York
Zip:10020
Country:UNITED STATES
Postal (if outside the U.S.):
Your comment:Dear Board of Governors,
Congress and the SBA specifically authorized many non-bank lenders, including leading financial technology companies and community development financial institutions, to participate in the Paycheck Protection Program in order to provide PPP loans to truly small businesses. This is a critical element in the program to ensure funds flow to businesses that would otherwise be left out of the traditional banking system's focus to date on their best and largest customers. However, without further clarification and action today to expand the reach of the Paycheck Protection Program Liquidity Facility to banks that purchase loans originated by SBA approved lenders in the secondary market, those lenders and the businesses, individuals and families they reach will continue to be left out of participating in the next round of funding of the Paycheck Protection Program. These institutions have billions of dollars of demand from the smallest businesses that aren't being served by banks.
As you can appreciate, in order to make business decisions as to what to submit for approval to the SBA on Monday morning, these lenders need to know that they have someone to buy these loans in the secondary market – otherwise they can't lend. And waiting for Monday is not an option – they need to know today if they will be able to offer PPP loans to their customers. It is particularly critical to resolve this now because the program may run out of funds in a few days. An unfathomable delay here is tantamount to choking access to credit to these businesses. The solution to this problem is simple, and easily clarified within existing Fed precedent and programs:
The ideal solution to creating this necessary secondary market liquidity is to allow depository institutions such as CDFI banks to purchase PPP loans from these lenders and pledge them to the PPPLF. Absent this simple solution, small businesses will be left behind again. The Fed can solve this enormous problem today by revising its response to the following FAQ as follows:

Q. If an SBA 7a approved depository institution purchases an interest in a PPP loan in the secondary market, can the depository institution pledge that interest as collateral for an extension of credit under the PPPLF?

A. Yes, any approved SBA 7a bank who acquires whole PPP loans or 100% participating interests in these loans may pledge them under the PPPLF so long as they are not already pledged to the PPPLF or elsewhere. Purchased PPP loans, pledged to the PPPLF receive the same zero-risk weighting treatment for capital, leverage, and average assets calculations as PPP loans originated directly by the pledging bank.