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

Description:

Comment ID: 137218

From: Christopher Hurn

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]
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Your comment:Dear Board of Governors,
Congress and SBA specifically authorized many nonbank lenders, including leading financial technology companies and community development financial institutions, to participate in the Paycheck Protection Program (PPP) in order to provide these 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 -- primarily helping only their best and largest customers. However, without further clarification and action this weekend to expand access to the Paycheck Protection Program Liquidity Facility (PPPLF) for SBA-regulated nonbanks (Small Business Lending Companies – SBLC's) and 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 for PPP loans, scheduled to begin this Monday. These institutions have billions of dollars of demand from the smallest businesses that aren't being served by banks (see today's WSJ article here for some insights into why: https ://www. wsj .com/articles/banks-could-prove-weak-partner-in-coronavirus-recovery-11587743212).
As you can appreciate, in order to make business decisions as to what to submit for approval to SBA on Monday morning, these lenders need to know that they have some place to put these loans (PPPLF) and/or someone to buy these loans in the secondary market; otherwise they cannot lend. And waiting for Monday is not an option; they need to know this weekend if they will be able to offer PPP loans to their customers. It is particularly critical to resolve this now because the program may again run out of funds over the course of the coming week. Continued delay here (it's been sixteen days since nonbanks were told the Fed would get to them "in the near future") is tantamount to choking access to credit to these small businesses. The solutions to these problems are simple and easily

clarified within existing Fed precedent and programs:
The ideal solution to creating this necessary liquidity is to grant SBA-regulated nonbanks (SBLC's) immediate access to the PPPLF on a temporary basis and only for this program.
The next ideal solution is to provide secondary market liquidity by allowing depository institutions such as CDFI banks to purchase PPP loans from these lenders and pledge them to the PPPLF.
Absent these simple solutions, small businesses will be left behind again. The Fed can solve these enormous problems today by adding one FAQ and revising its response to another FAQ as follows:
Q: May SBA-regulated nonbanks (SBLC's) have immediate access to the PPPLF?
A: Yes, all fourteen SBLC's will be given procedural guidance immediately to access the PPPLF and such access will not be unreasonably withheld.
Q. If an SBA 7(a)-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 7(a) bank who acquires whole PPP loans or 100% participations in these loans may pledge them under the PPLF 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 by the pledging bank.
Thank you for your consideration.