



April 10, 2020

The Honorable Lael Brainard  
Governor  
Board of Governors of the Federal Reserve  
20th Street and Constitution Avenue N.W.  
Washington, D.C. 20551

Dear Dr. Brainard:

I'd like to begin by thanking you and the Chairman, your fellow Governors and the Fed staff for the extraordinarily rapid and scaled response to the economic crisis that has resulted from the coronavirus pandemic. I heard Dr. Yellen on the news last night call it “nothing less than heroic” and I couldn't agree more.

We at NALCAB are doing our small part by mobilizing emergency financial relief through our member Network from both federal and philanthropic sources. Among other matters, we have been very focused on the Paycheck Protection Program (PPP) from the time it was being drafted in the Senate and House Small Business Committees and through this first week of implementation.

I am writing to urge you and your fellow Governors to open access to the Federal Reserve's recently established Paycheck Protection Program (PPP) lending facility to non-depository institutions that are certified by the US Treasury Department as Community Development Financial Institutions (CDFIs).

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For the communities we serve, this program is enormously important. Across the board, small businesses have been incredibly hard hit by this rapidly evolving economic crisis. Needless to say, underserved small businesses - the smallest businesses, low- and moderate-income (LMI) sole proprietors, minority business owners, among others – are more vulnerable in these circumstances. We are particularly concerned for minority and immigrant microbusiness owners, and the people they employ, that may not have strong banking relationships and may have reasonable concerns about engaging directly with federal agencies. We believe that many of these people will not have access to unemployment benefits and will not receive the “rapid direct payments” approved in the CARES Act in a timely manner, if they are eligible to receive them at all. The PPP may be the only way that CARES Act resources reach many of the most vulnerable and hardest working people in our economy.

The current program structure for the Paycheck Protection Program established by the Treasury Department and SBA makes it very difficult for underserved small businesses and nonprofits to get rapid and equitable access to these resources and, if the program is oversubscribed, underserved businesses will be left out. That would be a travesty.

In the first week of implementation, I have been alarmed that the resources being made available through the PPP are flowing rapidly, and almost exclusively, to the preferred customers of larger banks (those with existing small business accounts and, in many cases, they must also have a loan). We are seeing the owners of underserved businesses being left out in the practical implementation of the PPP. It is not reasonable to expect that banks will serve a population that they have little track record of serving. The way to ensure the emergency financial relief made available through the PPP makes it to underserved businesses is for that funding to flow through institutions that have the mission and capacity to open access to underserved businesses. As you know,

for almost 30 years, the Treasury Department has certified mission-oriented lenders as community development financial institutions (CDFIs), precisely for this purpose. We need to mobilize the CDFI industry to deliver these resources to business that are not being served by banks, especially underserved businesses.

Today, there are a very small number of non-depository CDFIs that have “delegated authority” from the Small Business Administration to make PPP loans and a small number of CDFI credit unions that are choosing to participate. The Treasury Department has put unnecessarily restrictive hurdles in place that exclude all but a handful of non-depository CDFIs from participating, including requiring \$50 million in on balance sheet small business loan for twelve consecutive months and BSA compliance equivalent to a bank. We are working on two equally important tracks. First, to advocate that the Congress “fix” the CARES Act to require the SBA to provide “delegated authority” to CDFIs that seek to provide PPP loans. Second, to ensure that any CDFIs that do secure access have the necessary short-term liquidity to scale their efforts.

Regardless of whether the Treasury Department is allowed to continue to severely limit the number of CDFIs that participate in the PPP, we are collaborating with national networks of nonprofits (including beyond the NALCAB Network) that work with underserved small business owners to put in place a referral pipeline of eligible applicants to whichever CDFIs are able to process the applications. This hub-and-spoke model has the potential to rapidly scale, *even in the current environment*. The limiting factor is short-term liquidity for the CDFI “hubs.” The Federal Reserve could be a game changer by opening access for non-depository CDFIs to the PPP lending facility that the Federal Reserve opened on April 9.

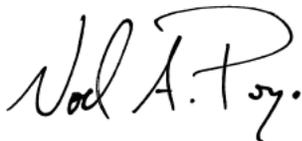
While these resources would be life changing for many people who are approaching the point of a humanitarian crisis, in the context of the Fed’s overall response to this crisis, the scope of this expansion would barely be a rounding error. The good that can be done by taking this action will far outweigh any potential technical or regulatory hurdle that would need to be addressed.

Please open the Fed’s new Paycheck Protection Program (PPP) lending facility to non-depository CDFIs. This could be the difference in whether billions of dollars in emergency financial relief actually makes it to diverse small business owners who are not typically served well by our mainstream banking system, and the largely low- and moderate-income workers they employ.

It occurs to me that I only send you letters in moments of adversity, regarding matters of deep concern. I hope to send you a note one of these days to let you know I had a good weekend and hope the same for you. In the meantime, I wish you and your loved ones health and peace.

There is no need for you to respond to this letter.

Respectfully submitted,

A handwritten signature in black ink that reads "Noel A. Poy." The signature is written in a cursive, flowing style.

Noel Poyo  
Executive Director