

Rhode Island Coronavirus Regulatory Tracker – Reed Hosts Call with SBA – 4.16.20

Senator Jack Reed hosted another constituent conference call yesterday featuring Mark Hayward, U.S. Small Business Administration (“SBA”) District Director for the Rhode Island District Office. This conference call marked the second in a series to provide direct dialogue with the SBA to help resolve outstanding issues relative to the Paycheck Protection Program (“PPP”) and to keep the lines of communication open between the business community and government.

Upon opening the discussion, Senator Reed expressed his sincere appreciation for the hard work of local financial institutions, including credit unions, in participating in the program despite the compressed timeframes and paperwork challenges. He noted the crush for credit unions and others to respond and that the demand for the PPP nationally is overwhelming. As the PPP has run out of resources, he acknowledged that there will be another package forthcoming. No one disagrees about the need for more funding, rather, the open issue how to do so particularly in light of the need for funding for states, hospitals and others. Accordingly, a compromise deal between the parties is needed. During the call, Treasury Secretary Mnuchin and Senator Chuck Schumer were already meeting to discuss this exact issue. Senator Reed believes that robust economic injury disaster loans (“EIDL”) made directly by the SBA can be the path to turn on the economic spicket. The target is to move the next package by unanimous consent prior to their return to DC which is presently scheduled for May 4.

Senator Reed also briefed attendees on the newly released PPP Liquidity Facility established by the Federal Reserve to provide liquidity and the new Main Street Lending Program. During the question and answer dialogue between Senator Reed, District Director Mark Hayward, credit unions and others, key points were raised:

- Due to volume and capacity, both portals for the PPP and EIDL have been shut down. No more applications are being processed. A waiting list is not an option as there is no authority to do so. The portals will not be reopened without additional appropriations.
- The EIDL program in Rhode Island generated over 4 million applications and the PPP generated approximately 87,000 applications and \$1.4 billion in loans.
- The SBA has been handling 200-300 calls and 450 emails per day. Most have been from extremely distraught consumers.
- Senator Reed candidly conceded that the authors of the legislation never contemplated that financial institutions would garnish the stimulus payments deposited into consumers accounts and believes that the issue is an appropriate one to be addressed in the next package.
- Regarding requirements to close loans within 10 days, the SBA noted that lenders should endeavor to do so. It is not a punitive threshold and best efforts should be used combined with a reasonableness standard. Depending on the totality of the circumstances, closing within a 12-13 day period may be reasonable and should be adhered to, as compared to closing within a 20 day period, which is not reasonable. There is no liability for delays in closings, but it is matched by the best efforts of the lender.
- The call center for EIDL loans is broken and the SBA is well aware of the need to correct it so consumers can at least confirm their status.
- The SBA has not yet determined how institutions will receive their lender fee and guidance is expected to address this issue.

- The SBA continues to work on clarity around loan forgiveness.

During the conference call, Senator Reed emphasized repeatedly that the primary focus of the CARES ACT, the third relief package in the series passed by Congress, was to help banks, credit unions and others who play a critical role in our economy. He stressed that Congress deliberately placed lenders in the lead due to their capacity and involvement in local communities. As such, he expressed his concern over any disparate treatment of small businesses and not-for-profits that do not have formal banking representation and relationships. Senator Reed strongly encouraged all financial institutions not to place obstacles before anyone seeking such loans. He encouraged all financial institutions to reach out to small businesses in their area who lack major banking relationships, such as mom and pop stores, and designate a member of staff to identify and assist these people in local neighborhoods.

Senator Reed continued to pledge the resources of his staff and office, including conference calls, to continue the discussion with lenders as issues arise so that they may be addressed in a timely manner.

The Association continues to compile questions about SBA programs to obtain answers as soon as possible. Please forward any questions to advocacyri@ccua.org