



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

August 27, 2021

Small Business Administration
409 Third Street SW
Washington, DC 20416

RE: Business Loan Program Temporary Changes; Paycheck Protection Program – COVID Revenue Reduction Score, Direct Borrower Forgiveness Process, and Appeals Deferment (Docket No. SBA-2021-0015)

Dear Sir or Madam:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing concerning the Small Business Administration's (SBA) interim final rule (IFR) regarding the Direct Borrower Forgiveness Process. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 125 million consumers with personal and small business financial service products. NAFCU appreciates the SBA's commitment to streamlining and enhancing the Paycheck Protection Program (PPP) forgiveness process with the implementation of the Direct Borrower Forgiveness Process for loans under \$150,000. NAFCU has continued to advocate for forgiveness flexibility, particularly for smaller loans of \$150,000 or less. Although the new option would have been more beneficial at the outset of the forgiveness process, some NAFCU members will utilize the Direct Forgiveness Process, therefore the SBA should expedite any necessary procedural guidance for lenders and consumer-friendly guidance for borrowers.

Credit unions continue to grapple with simultaneously processing loan forgiveness applications and focusing on meeting the routine needs of their small business members. As previously highlighted, some credit unions shifted staff to accommodate both functions, while others have hired temporary staff to assist them through the remainder of the PPP program. Although NAFCU appreciates the SBA's commitment to streamlining the forgiveness process, the Direct Borrower Forgiveness Process may not be as impactful at this time as lenders have focused on processing loan forgiveness applications and would have benefitted from an earlier rollout.

This is especially true given that as of July 31st, roughly 44 percent of all PPP loans have a submitted forgiveness application.¹ Understandably, the level of submitted loan applications varies among lenders. Many credit unions have invested money to build out a solution for members to complete online applications, upload supporting documentation, or work with a third-party vendor to streamline the overall process since borrowers had the ability to submit forgiveness applications. Integrating the Direct Borrower Forgiveness Process may be operationally difficult for some credit

¹ *PPP Forgiveness Platform Lender Submission Metrics Reports*, Small Business Administration (July 30, 2021), https://www.sba.gov/sites/default/files/2021-08/Weekly%20Forgiveness%20Report_Public_7.30.2021_V3-508.pdf.

unions. At the outset of the PPP program lenders were unaware of what the forgiveness process would entail, and many credit unions have expended much more time and resources than anticipated.

Despite the time and money invested in implementing solutions to process forgiveness applications in-house and the additional manual tracking component added, credit unions are opting-in to the Direct Borrower Forgiveness Process to alleviate strains on human capital and streamline the guarantee purchase process. Although the process streamlines the borrower's experience, it does not necessarily streamline the process for all lenders as many will have to monitor the SBA's system and update their commercial lending platforms. However, the Direct Forgiveness Process offers smaller credit unions that have not had the ability to leverage a third-party vendor or lack the means to develop a streamlined process in-house a simple solution to processing forgiveness applications. An overwhelming majority of credit union PPP loans were under \$150,000. According to the SBA's data, the overall 2021 PPP loan size was \$42,000, while the average 2021 PPP loan size of credit unions is \$33,869.² Throughout the PPP program, credit unions have consistently provided smaller dollar PPP loans to small businesses.

The Direct Forgiveness Process has the potential to rectify any inconsistencies in processing time for loan forgiveness applications. NAFCU appreciates the SBA directing borrowers to contact the agency with any questions related to the Direct Borrower Forgiveness Process. Amending the forgiveness process at this time will likely create some confusion and borrowers have come to rely on their credit unions to assist them through every phase of the PPP process, including forgiveness. Moreover, the forgiveness process differs from the process of obtaining a PPP loan where the borrower solely dealt with their credit union and the SBA previously directed borrowers to engage with their lenders.

NAFCU encourages the SBA to expedite any related guidance and answer borrower questions in a timely manner. This includes guidance for lenders to ensure timely answers to borrower questions regarding the Direct Borrower Forgiveness Process and any processes and borrower communications related to situations where a lender is unable to approve the forgiveness application. Credit union PPP lenders have adapted as the SBA updated guidance and technology platforms throughout the process; however, with roughly half of all PPP loans outstanding, lenders need guidance at the outset to ensure a quick and seamless transition to using the Direct Forgiveness Process, should they choose to opt-in.

NAFCU appreciates the opportunity to share its members' views on this matter. As credit unions continue processing remaining loan forgiveness requests the Direct Borrower Forgiveness Process provides an alternative and potentially streamlined approach. NAFCU urges the SBA to expedite any outstanding guidance. Should you have any questions or require additional information, please do not hesitate to contact me at (703) 842-2249 or kschafer@nafcu.org.

² *Paycheck Protection Weekly Report 2021*, Small Business Administration. (May 31, 2021), https://www.sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf.

Small Business Administration

August 27, 2021

Page 3 of 3

Sincerely,

A handwritten signature in black ink, appearing to read "Kaley Schafer". The signature is fluid and cursive, with the first name "Kaley" being more prominent than the last name "Schafer".

Kaley Schafer
Senior Regulatory Affairs Counsel