



Potential Good News for Native CDFIs: NCDFIs should be able to make PPP loans

- 1. PPP Lending.** NCN has continued advocacy on working to ensure Native CDFIs can qualify as PPP lenders. Native CDFIs can apply to be lenders for the second round of PPP loans -- even if they have not originated or serviced \$50 million in loans in a 12 month period, as outlined in [SBA Form 3507](#). Form 3507 asks that non-bank, non-depository lenders (like the vast majority of Native CDFIs) certify they have completed \$50 million in business. However, today, NCN representatives asked SBA officials if this requirement can be waived for Treasury-certified Native CDFIs. The SBA's response is that Native CDFIs can apply and should be able to lend under the PPP program, even if they do not meet the \$50 million threshold. If a lender is interested in applying, here is the [application](#) (submit regardless of the \$50 million threshold.) If your Native CDFI is, or becomes a PPP lender, please let NCN know, so we can share with our network.
- 2. Community Financial Institutions will be First Lenders.** The SBA has announced that, "only community financial institutions will be able to make First Draw PPP Loans on Monday, January 11, and Second Draw PPP Loans on Wednesday, January 13." Native CDFIs are included in the definition of "community financial institutions."
- 3. NCDFI PPP Forgiveness.** Unfortunately on the same call, SBA representatives stated that financial institutions are ineligible to receive a PPP loan. This is generally not the accepted position of most in the broader CDFI industry. NCN will continue to monitor and advocate on this issue of eligibility to receive a loan and inform our membership on developments.
- 4. Additional PPP Specifics.** The links in the official SBA letter below speak to several frequently asked questions about a second round of the PPP. Of interest to some of our members is that in order to qualify for a second PPP, a recipient will have to demonstrate a 25% reduction in receipts in a given quarter from 2019 compared with 2020. See below for more information.

NCN will continue to monitor and advocate on this fast-moving policy issue and share information relevant to our member Native CDFIs.

From the SBA:

SBA and Treasury Announce PPP Re-Opening; Issue New Guidance

WASHINGTON – The [U.S. Small Business Administration \(SBA\)](#), in consultation with the Treasury Department, announced today that the Paycheck Protection Program (PPP) will re-open the week of January 11 for new borrowers and certain existing PPP borrowers. To promote access to capital, initially only community financial institutions will be able to make First Draw PPP Loans on Monday, January 11, and Second Draw PPP Loans on Wednesday, January 13. The PPP will open to all participating lenders shortly thereafter. Updated PPP guidance outlining Program changes to enhance its effectiveness and accessibility was released on January 6 in accordance with the Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act. This round of the PPP continues to prioritize millions of Americans employed by small businesses by authorizing up to \$284 billion toward job retention and certain other expenses through March 31, 2021, and by allowing certain existing PPP borrowers to apply for a Second Draw PPP Loan.

“The historically successful Paycheck Protection Program served as an economic lifeline to millions of small businesses and their employees when they needed it most,” said Administrator Jovita Carranza. “Today’s guidance builds on the success of the program and adapts to the changing needs of small business owners by providing targeted relief and a simpler forgiveness process to ensure their path to recovery.”

“The Paycheck Protection Program has successfully provided 5.2 million loans worth \$525 billion to America’s small businesses, supporting more than 51 million jobs,” said Treasury Secretary Steven T. Mnuchin. “This updated guidance enhances the PPP’s targeted relief to small businesses most impacted by COVID-19. We are committed to implementing this round of PPP quickly to continue supporting American small businesses and their workers.”

Key PPP updates include:

- PPP borrowers can set their PPP loan’s covered period to be any length between 8 and 24 weeks to best meet their business needs;
- PPP loans will cover additional expenses, including operations expenditures, property damage costs, supplier costs, and worker protection expenditures;
- The Program’s eligibility is expanded to include 501(c)(6)s, housing cooperatives, direct marketing organizations, among other types of organizations;
- The PPP provides greater flexibility for seasonal employees;
- Certain existing PPP borrowers can request to modify their First Draw PPP Loan amount; and
- Certain existing PPP borrowers are now eligible to apply for a Second Draw PPP Loan.

A borrower is generally eligible for a Second Draw PPP Loan if the borrower:

- Previously received a First Draw PPP Loan and will or has used the full amount only for authorized uses;
 - Has no more than 300 employees; and
 - Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.
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The new guidance released includes:

- [PPP Guidance from SBA Administrator Carranza on Accessing Capital for Minority, Underserved, Veteran, and Women-owned Business Concerns;](#)
- [Interim Final Rule on Paycheck Protection Program as Amended by Economic Aid Act;](#)
and
- [Interim Final Rule on Second Draw PPP Loans.](#)

For more information on SBA's assistance to small businesses, visit sba.gov/ppp or treasury.gov/cares.

WHO CAN APPLY FOR PPP SECOND DRAW LOAN

A borrower is generally eligible for a PPP Second Draw Loan if the borrower:

- Was eligible for and previously received a PPP First Draw Loan
- Has or will use the full loan amount only for eligible expenses before the PPP Second Draw Loan is disbursed;
- Has no more than 300 employees; and
- Can demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020.



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