



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

March 15, 2022

The Honorable Dean Phillips
Chairman
House Small Business Committee
Subcommittee on Oversight, Investigations,
and Regulations
U.S. House of Representatives
Washington, DC 20515

The Honorable Beth Van Duyne
Ranking Member
House Small Business Committee
Subcommittee on Oversight, Investigations,
and Regulations
U.S. House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing: "An Empirical Review of the Paycheck Protection Program"

Dear Chairman Phillips and Ranking Member Van Duyne:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's Subcommittee hearing entitled "An Empirical Review of the Paycheck Protection Program." As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 127 million consumers with personal and small business financial service products.

The Paycheck Protection Program (PPP) was an important tool to help small businesses survive the pandemic. While there were various issues that emerged during the program, especially for small lenders such as credit unions, we were pleased to see Congress react to these challenges and improve access for credit unions to the program and streamline the forgiveness process for small businesses in subsequent legislation.

NAFCU and our credit union members continue to support the concept of expanding access to small dollar business loans post-PPP as credit unions have always focused on servicing this market. Credit unions have been recognized as doubling their efforts in providing small business lending post-recession, despite considerable consolidation in the marketplace and statutory limitations on member business lending (MBL). The PPP is a prime example of the role that credit unions played in filling a need in this area. Many credit unions stepped in to provide these loans to small businesses that were turned away from other financial institutions that did not want to make these smaller loans. Some credit unions that previously did no business lending swiftly sought authority from their boards of directors to offer business loans so they could provide businesses in need with PPP loans. The PPP was an example of how a public-private partnership can work effectively and efficiently to meet the needs of communities.

Moreover, compared to other types of lenders, credit unions disproportionately helped the smallest of small businesses during the PPP. An analysis of the Small Business Administration's (SBA) PPP data from the first two rounds shows that credit unions made loans in amounts much lower than the national average. In 2020, the average credit union PPP loan was under \$50,000, while the average PPP loan overall was over \$100,000.¹ In 2021, the average credit union PPP loan was \$33,869, while the average

¹ DuPlessis, Jim, "PPP Helps Businesses and Credit Unions," *Credit Union Times* (June 15, 2021), available at <https://www.cutimes.com/2021/06/15/ppp-helps-businesses-and-credit-unions/>.

The Honorable Dean Phillips, The Honorable Beth Van Duyne

March 15, 2022

Page 2 of 2

PPP loan overall was \$42,000.² Furthermore, according to NAFCU's analysis of SBA's PPP data, a full 75 percent of credit union PPP loans went to businesses with fewer than five employees. While some have tried to criticize credit unions only because they only deployed 2 percent of all PPP loan dollars, they forget to mention this is because the loan size was so small, going to the smallest businesses.

NAFCU's recognition of the need for smaller loans for small businesses is why we have supported legislation such as H.R. 5189, the *Member Business Loan Expansion Act*, which would make it easier for credit unions to offer smaller business loans under \$100,000 by ensuring these loans do not count toward the arbitrary credit union MBL cap. We believe bipartisan approaches such as this legislation provide small businesses a better alternative to get the support they need in a timely manner. Allowing lenders that have relationships with small businesses, such as credit unions, to do more to help is a better approach to addressing this need.

In recent years, NAFCU members have worked to increase the number of SBA lending partners despite statutory limitations imposed on credit unions' ability to provide small business loans. Moreover, credit unions continue to focus on providing credit to our nation's small businesses, regardless of size. Over the past five years, 57 percent of business loans made by credit unions were under \$150,000, compared to 46 percent of loans under \$150,000 for other lenders. Early in the pandemic, 70 percent of NAFCU members that were not already involved in SBA lending but did participate in the PPP expressed an interest in becoming a regular SBA lender. Given this increased interest in SBA lending programs and the expected demand in small business lending, it is imperative that credit unions have all options available to provide capital for small business members.

We thank you for the opportunity to share our concerns on this important topic. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at lplush@nafcu.org.

Sincerely,



Brad Thaler

Vice President of Legislative Affairs

cc: Members of the Subcommittee on Oversight, Investigations, and Regulations

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