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National Association of Federally-Insured Credit Unions

March 16, 2021

The Honorable Ben Cardin
Chairman
Committee on Small Business &
Entrepreneurship
United States Senate
Washington, D.C. 20510

The Honorable Rand Paul
Ranking Member
Committee on Small Business &
Entrepreneurship
United States Senate
Washington, D.C. 20510

Re: Tomorrow's Hearing, "The Paycheck Protection Program: Performance, Impact, and Next Steps"

Dear Chairman Cardin and Ranking Member Paul:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "The Paycheck Protection Program: Performance, Impact, and Next Steps." As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 124 million consumers with personal and small business financial service products. We thank you for providing credit unions with important tools, such as the Paycheck Protection Program (PPP), to help their small business members during this pandemic. We would like to take this opportunity to share how credit unions have been able to help their communities through the PPP, as well as our recommendations to ensure maximum efficacy of the program in what we hope is the homestretch of this pandemic.

As you know, credit unions have stepped up to ensure small businesses in their communities are taken care of during these uncertain times, and their response through the first two rounds of the PPP was tremendous. Despite the uncertainty surrounding the PPP as it launched and the associated risks, credit unions did all they could to ensure their existing and new small business members were taken care of. According to a NAFCU survey, 87 percent of NAFCU members reported providing PPP loans to new members and businesses that were turned away by other lenders and came to their credit union to apply for a PPP loan. Moreover, compared to other types of lenders, credit unions disproportionately helped the smallest of small businesses. 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, with the credit union average PPP loan approximately \$50,000. Furthermore, a full 70 percent of credit union PPP loans went to businesses with less than five employees.

We were pleased to see that Congress passed the *Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act* (Economic Aid Act) as part of the year-end stimulus package. The Economic Aid Act contained important support for our nation's small businesses, including authorization of a second PPP loan for the hardest-hit small businesses, simplifying loan forgiveness for PPP loans under the \$150,000 threshold, and repealing the deduction of Economic Injury Disaster Loan (EIDL) advances from the PPP loan forgiveness amount. However, we have heard from many of our members that the loan forgiveness process is still in need of administrative simplification and there has been an inconsistency in the length

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of time SBA is taking to administer forgiveness. We request the Committee implore the SBA to provide quicker loan forgiveness reviews and more proactive and transparent information for lenders.

As we [wrote](#) to you earlier this month with a coalition of other financial services trade organizations, the thousands of loan holds by the SBA currently in the PPP system are problematic for lenders with the current March 31st program deadline. While we appreciate that the SBA has implemented a system of automated checks on all applications to minimize waste, fraud, and abuse of funds, this check slows the approval process and certain hold codes require SBA review to be resolved. We are concerned that many loans with a hold code or submitted near the deadline could remain outstanding when the authorization expires, locking out eligible small businesses. We are pleased to see that the bipartisan *PPP Extension Act of 2021*, S. 723, addresses this issue by creating an additional 30-day window to resolve issues beyond the new May 31st deadline. We thank Chairman Cardin for his leadership in introducing this legislation.

Our credit unions report that while demand for PPP loans is lower than a year ago, there is still significant demand and small businesses are still very much in need of this emergency capital. Stopping and re-starting the program would result in inefficiencies and administrative headaches that would increase costs for credit unions to administer the program, as well as create unnecessary challenges for small business borrowers. Should Congress opt to enact S. 723 and extend the program, we urge you to do so before the March 31st expiration.

Finally, the economic impact of COVID-19 and the credit needs of small businesses will be with us beyond the short-term bridge provided by the PPP. While increasing the scope of other SBA programs will help with the recovery, we need to ensure that small businesses have access to as many potential sources of capital as possible. With that in mind, we believe that Congress should consider legislation to exclude credit union member business loans made in response to COVID-19 relief from the credit union member business lending (MBL) cap, such as H.R. 1471, the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2021*, introduced earlier this month in the House by Representatives Brad Sherman (D-CA) and Brian Fitzpatrick (R-PA). Similar legislation was also introduced in the Senate last session by Senator Ron Wyden as S. 3676. Additionally, National Credit Union Administration (NCUA) Board Chairman Todd Harper and Board Member Rodney Hood have voiced their support for MBL cap relief as a step to make it easier for credit unions to do more to help small businesses in light of the pandemic.

We thank you for the opportunity to share our perspective on this important topic in advance of this hearing. Should you have any questions or require any additional information, please contact me or Janelle Relfe, NAFCU's Associate Director of Legislative Affairs, at jrelfe@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Small Business & Entrepreneurship