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National Association of Federally-Insured Credit Unions

April 26, 2022

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

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

Re: Tomorrow's Hearing on Small Business Administration Oversight

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 Committee hearing on Small Business Administration (SBA) oversight. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 130 million consumers with personal and small business financial service products.

NAFCU shares the Committee's and SBA's goal of strengthening small businesses in America and we support efforts to fully fund the SBA. While we support full funding for the SBA, we do not support any effort to provide new authority or expand direct lending at the SBA. Even though the SBA has authority to make direct loans now, the agency has not exercised this authority, with the exception of disaster loans and loans to Microloan program intermediaries, since 1998 due to a history of higher rates of fraud and defaults. These problems with direct lending programs have even been recognized by the SBA's Office of Inspector General (OIG), which included concerns with direct lending in a report earlier this year. This is a prime example of why the Committee should not support efforts to restart SBA direct lending.

In recent years, NAFCU members have worked to increase the number of SBA lending partners despite statutory limitations imposed on credit union's 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 for small business lending, it is imperative that credit unions have all options available to provide capital for small business members.

NAFCU recognizes the need for smaller loans for small businesses, and that 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

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toward the arbitrary credit union member business lending (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 than direct lending by the SBA.

It is with these thoughts in mind that we continue to oppose giving the SBA the authority or any funding for a new direct lending program. An SBA direct lending program could serve to reduce the level of lending partners at a time when business lending is greatly needed. NAFCU believes that there are better ways to encourage the SBA to work with existing lenders to address the stated need of access to smaller loans to small businesses and we stand ready to work with you to achieve that goal.

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@nafcuh.org.

Sincerely,

A handwritten signature in cursive script that reads "Brad Thaler".

Brad Thaler

Vice President of Legislative Affairs

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