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National Association of Federally-Insured Credit Unions

May 17, 2021

The Honorable Sharice Davids
Chairwoman
Economic Growth, Tax
and Capital Access Subcommittee
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Dan Meuser
Ranking Member
Economic Growth, Tax
and Capital Access Subcommittee
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

RE: Tomorrow's Hearing, "Examining the role of Community Development Financial Institutions and Minority Depository Institutions in Small Business Lending"

Dear Chairwoman Davids and Ranking Member Meuser:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing to examine the role of Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) in small business lending. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 124 million consumers with personal and small business financial service products.

CDFIs play an important role in the economy with their focus on the community and those most in need. A number of credit unions are CDFIs and MDIs and have been able to help underserved communities hardest hit by the COVID-19 pandemic. We are pleased to see the strong support from Congress for helping CDFIs and MDIs during the ongoing COVID-19 pandemic both in funding support for CDFI and MDI programs and access to important Small Business Administration (SBA) programs, such as the provisions for CDFIs and MDIs with the Paycheck Protection Program (PPP). We urge the Committee to continue this support moving forward.

The credit union commitment to helping members and the underserved has been regularly demonstrated during the pandemic. Credit unions have been on the frontline, working to ensure their members stayed afloat financially during the pandemic, with programs ranging from skip pays to personal loans. Additionally, during the first round of the PPP, credit unions were able to get desperately needed funds to many Main Street businesses that had been turned down by larger institutions. In many instances, these business owners joined the credit union solely because they were the only institutions working to get small dollar loans approved. 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 SBA's 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.

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The pandemic has also shown that credit unions need additional tools to help underserved communities 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 by Representatives Brad Sherman (D-CA) and Brian Fitzpatrick (R-PA).

We thank you for the opportunity to share our thoughts on the importance of support for community development institutions as your Subcommittee examines the role they play in the economy. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at 703-842-2261.

Sincerely,

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

Brad Thaler

Vice President of Legislative Affairs

cc: Members of the House Small Business Subcommittee on Economic Growth, Tax and
Capital Access