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National Association of Federally-Insured Credit Unions

June 9, 2020

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

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

Re: Hearing on the Implementation of Title I of the CARES Act

Dear Chairman Rubio and Ranking Member Cardin:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) ahead of tomorrow's hearing on the implementation of Title I of the CARES Act. As you are aware, credit unions are working on the front lines with their members during these times of economic uncertainty. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products.

The bipartisan efforts in Title I of the CARES Act, including the creation of the Paycheck Protection Program (PPP), have helped countless small businesses survive the lockdowns required by the current pandemic. The PPP in particular has been very successful and an important tool that credit unions have used to help their small business members, and we thank you for including credit unions as lenders in this program. Still, even with the success of the PPP, there remain some issues that we believe need to be addressed. The recent changes made in H.R.7010, the *Paycheck Protection Program Flexibility Act of 2020*, will help address a number of concerns, and we appreciate the timely action on this legislation. While the Small Business Administration (SBA) has taken steps to address the implementation of this legislation, some uncertainties remain. Specifically, NAFCU has asked the SBA to clarify whether the lowered requirement that 60 percent of a borrower's loan proceeds be used for payroll costs applies to all loans whose forgiveness applications have not yet been approved or only loans approved after June 5, 2020. Moreover, the SBA's guidance should cover whether borrowers who have already applied for forgiveness may reapply given this amendment. This clarification is critical for those borrowers who obtained a PPP loan on April 3, 2020 when the program began and have already applied for loan forgiveness upon the expiration of the previous eight-week covered period. We hope that the Committee will seek to get clarification on these issues tomorrow.

We also believe that there are provisions in S. 3833, the *Paycheck Protection Program Extension Act,* that should ultimately be enacted as well, such as the clarifications to the lender hold harmless provision. This change will provide important protections for credit unions and other community institutions who are working hard to assist small businesses with PPP loans. We believe this provision will increase the confidence of lenders under this program.

Additionally, as you examine the PPP at the hearing tomorrow, NAFCU encourages you to urge the SBA to simplify the loan forgiveness process for smaller PPP loans. The complexity of the forgiveness rules and application is posing challenges for many small businesses who may not have the staff or expertise for such a complex application, especially with the current economic challenges. NAFCU members report making PPP loans in amounts much lower than the national average of both rounds of funding. As such, NAFCU is supportive of automatic loan forgiveness for PPP loans under a $150,000 threshold. Loans under $150,000 account for 85 percent of PPP recipients but only account for 26 percent of the funds disbursed by the SBA. This level would cover the majority of credit union loans, the vast majority of which have been to smaller businesses that could most benefit from this automatic forgiveness. A smaller PPP loan is less likely to pose a high risk of fraud so the benefits to small businesses and lenders of providing this automatic forgiveness significantly outweigh the potential risks. Moreover, automatic forgiveness frees up human capital at a time when credit unions and small businesses may be short-staffed due to ramifications of COVID-19.

Understandably, the forgiveness application is one mechanism to uncover fraudulent activity; however, there are others and the SBA retains the right to review a borrower's loan documents for six years after the date the loan is forgiven or repaid in full. NAFCU would urge Congress and the SBA to improve the forgiveness process by considering automatic loan forgiveness for loans below a $150,000 threshold.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on pandemic relief and economic recovery. Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at 703-842-2263 or lplush@nafcu.org.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

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