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National Association of Federally-Insured Credit Unions

July 12, 2021

The Honorable Jared Golden
 Chairman
 Subcommittee on Underserved, Agricultural,
 & Rural Business Development
 Committee on Small Business
 U.S. House of Representatives
 Washington, DC 20515

The Honorable Jim Hagedorn
 Ranking Member
 Subcommittee on Underserved, Agricultural,
 & Rural Business Development
 Committee on Small Business
 U.S. House of Representatives
 Washington, DC 20515

Re: Tomorrow’s Hearing on the Rural American Recovery: The Role of Small Business and Entrepreneurship

Dear Chairman Golden and Ranking Member Hagedorn:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow’s hearing on the rural recovery from the COVID-19 pandemic. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 125 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 other ways to help credit unions assist in strengthening the rural economy as the country recovers from the pandemic and beyond.

Credit unions have long been a critical provider of financial services to rural and underserved areas. As large and community banks have been shutting down branches and moving out of these areas, credit unions have been stepping up and expanding their presence to fill the void. In 2019, the Federal Reserve published a study detailing the dramatic decline in bank branches in rural areas. The study showed that 7 percent of rural bank branches were lost between the years 2012 and 2017 and that number has grown to 11 percent through 2019. Losses are not only concentrated among large banks, which lost 19 percent of their total rural branches, but also among community banks, which lost 5 percent. Credit unions, on the other hand, were the only financial institution that added branches in both rural and urban areas, demonstrating credit unions’ commitment to their members and serving underserved communities.

TABLE 2.1: BRANCH CHANGES BETWEEN 2012 AND 2019					
Institution Type	County Type	Starting branches	Ending branches	Net change	Percent Change
Large Banks	Urban	48,707	42,298	-6,409	-13
	Rural	6,479	5,267	-1,212	-19
Community Banks	Urban	23,798	22,240	-1,558	-7
	Rural	13,890	13,137	-753	-5
Credit Unions	Urban	17,513	17,599	+86	+0
	Rural	3,458	3,537	+79	+2

Notes: Urban counties are those that were part of a metropolitan statistical area in 2017. Excludes U.S. territories as well as counties that have undergone code changes. Bank branches are assigned according to the institution it last reported under. Community banks are those with assets below \$10 billion in June 2019 or the last reported total. Bank branches include only those coded as types 11 or 12 in the FDIC data.

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As you consider ways to help rural areas, we urge you to consider a couple of measures that would help credit unions continue to serve rural and underserved areas. Specifically, we urge to you consider the following:

1. Allow all types of credit union charters to add underserved areas to their fields of membership. This commonsense proposal would allow credit unions to fill the void when banks leave rural areas, many of which meet the definition of underserved.
2. Amend the Member Business Lending (MBL) cap on federal credit unions. Currently, credit unions are restrained by an arbitrary cap on the loans they can provide to member businesses. Bipartisan legislation (H.R.1471) has been introduced to provide temporary relief from the MBL cap as a way to help small businesses recover from the COVID-19 pandemic.

These measures would arm credit unions with the tools they need to help rural areas without cost to the federal government. We thank you for the opportunity to re-iterate the important work credit unions have been doing and provide ideas on how to help them continue this work. 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 House Small Business Subcommittee on Underserved, Agriculture, & Rural Business Development