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National Association of Federally-Insured Credit Unions

July 14, 2020

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Steve Chabot
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Re: Tomorrow's hearing, "Long-Lasting Solutions for a Small Business Recovery"

Dear Chairwoman Velázquez and Ranking Member Chabot:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in regard to tomorrow's hearing titled, "Long-Lasting Solutions for a Small Business Recovery." 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.

Credit unions are keenly aware of the hardships their members are facing due to the COVID-19 pandemic and are working around the clock to proactively assist them. Nearly 1,000 credit unions have participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and have helped countless small businesses survive the lockdowns required by the current pandemic. Many of these credit unions were new to offering SBA products. The PPP has been very successful and an important tool that credit unions have used to help their small business members. Additionally, many small businesses have turned to credit unions for PPP loans when other lenders would not work with them, leading to an influx of new small business members at credit unions.

NAFCU member credit unions 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 all small businesses and lenders of providing this automatic or simplified 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. We were pleased that a bipartisan group of Senate Banking Committee members introduced S. 4117, the *Paycheck Protection Small Business Forgiveness Act*, which would forgive PPP loans under \$150,000 if the borrower submits a one-page attestation form to the lender. We urge the House to consider similar legislation to help the smallest businesses and their employees during these trying times.

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As the Committee examines the long-term recovery of small businesses, we urge you to consider changes to other SBA programs as well. As you are aware, credit unions face arbitrary restrictions in the *Federal Credit Union Act* on the ability to offer member business loans (MBLs). However, the guaranteed portion of government-backed SBA loans, such as those from the 7(a) and 504 programs, do not count against the cap. Increasing the maximum loan guaranty percentage of these SBA programs and taking steps to mitigate the fees involved with them will help the hundreds of credit unions that are now SBA lenders thanks to the PPP continue to serve their small business members with SBA products after the PPP expires.

Finally, as we have communicated to Congress previously, one way to help small businesses recover from this pandemic would be to amend the *Federal Credit Union Act* to provide credit unions greater relief and flexibility from the MBL cap. In 1998, Congress codified the definition of an MBL and limited a credit union's member business lending to the lesser of either 1.75 times the net worth of a well-capitalized credit union or 12.25 percent of total assets. As the country faces recovery from the impact of COVID-19 on the economy, many credit unions have the ability to go beyond SBA programs to help small businesses create jobs and stimulate the economy. However, due to the outdated and arbitrary MBL cap, that ability is hampered. Providing relief from the cap would help provide economic stimulus and create jobs without using taxpayer funds.

NAFCU supports bipartisan legislation pending in the House (H.R. 6789) and Senate (S. 3676), the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020*, which would provide temporary relief from the MBL cap for loans to help small businesses recover from the COVID-19 crisis. While this legislation is under House Financial Services Committee jurisdiction, we urge you to support the inclusion of this legislation in the next coronavirus relief package as you look for ways to help small businesses recover.

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 Janelle Relfe, NAFCU's Associate Director of Legislative Affairs, at 703-842-2263 or jreffe@nafcu.org.

Sincerely,



Brad Thaler

Vice President of Legislative Affairs

cc: Members of the House Committee on Small Business