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National Association of Federally-Insured Credit Unions

July 22, 2020

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

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

Re: Tomorrow's Hearing, "Capital Access for Minority Small Businesses: COVID-19 Resources for an Equitable and Sustainable Recovery"

Dear Chairman Rubio and Ranking Member Cardin:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of tomorrow's hearing titled, "Capital Access for Minority Small Businesses: COVID-19 Resources for an Equitable and Sustainable Recovery." 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. NAFCU is extremely supportive of the Committee's attention to increasing capital access for minority-owned businesses, and we share your view that the pandemic has exacerbated the challenges these businesses face.

As we have shared with you before, credit unions are proud of their record of diversity and commitment to helping the portions of their communities that are most in need with high-quality financial products and services. According to the National Credit Union Administration (NCUA), there are 526 federally-insured minority depository institution (MDI) credit unions that serve 3.9 million members (as of June 30, 2019). Furthermore, there were approximately 292 Community Development Financial Institution (CDFI)-designated credit unions at the end of 2019, constituting about 27 percent of all certified CDFIs. Ensuring that these institutions have the resources they need to survive and serve their members during these challenging times is critically important for the survival of our minority-owned businesses and the health of our communities. To that end, we support legislative efforts to ensure that CDFIs and MDIs have the resources they need to serve their communities.

The most recent example of the relationship between credit unions and minority-owned businesses is evidenced in the Small Business Administration's (SBA) released loan-level data for rounds one and two of the Paycheck Protection Program (PPP). A NAFCU analysis (shown on the next page) found that of loans where borrower race and gender were reported, credit unions provided nearly double the percentage of loans to Black- and Hispanic-owned businesses than large banks and more than double the percentage of loans to Black- and Hispanic-owned businesses than community banks. This is consistent with credit unions historical practice of providing services to minority-owned businesses.

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Lender Class	Avg. Loan Amt. (\$000s)	Borrower Race/Ethnicity* (%)					Female Owned* (%)	Veteran* (%)
		Black or African American	Hispanic	Asian	Other Non-White	White		
Large Banks	\$122.3	3.1	7.3	14.2	0.8	74.7	19.6	4.9
Community Banks	\$101.2	2.2	5.9	10.0	0.5	81.4	23.9	4.5
S&Ls	\$97.8	2.2	4.0	4.2	0.3	89.2	27.8	3.3
Credit Unions	\$50.2	6.7	12.5	9.0	0.8	71.0	31.0	5.3
Non-Bank Lenders	\$51.5	11.5	30.7	12.3	0.5	45.0	23.3	2.4

* Where reported. As a share of total loans, lenders reported borrower race/ethnicity for 11 percent of loans, gender for 22 percent of loans, and veteran status for 15 percent of loans.

As the Committee looks at ways to help minority-owned businesses through the pandemic, NAFCU urges Congress to continue to set aside PPP funds for community financial institutions, as well as consider additional set asides specifically for CDFIs and MDIs in any future rounds of funding. We also urge you to take steps to help those smallest businesses that received PPP loans by supporting bipartisan legislation such as S. 4117, the *Paycheck Protection Small Business Forgiveness Act* which would simplify the forgiveness process for PPP loans under \$150,000.

We thank you for your leadership and ongoing efforts to support minority-owned businesses as well as CDFIs and MDIs during these uncertain times. We appreciate the opportunity to share our input and look forward to continuing to work with the Committee on these issues. Should you have any questions or require any additional information, please contact me or Janelle Relfe, NAFCU's Associate Director of Legislative Affairs, at jrelfe@nafcu.org.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Committee on Small Business & Entrepreneurship