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National Association of Federally-Insured Credit Unions

September 2, 2021

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Re: Proposed Legislation to Allow Credit Unions to Better Serve Underserved Areas

Dear Chairwoman Waters and Ranking Member McHenry:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) regarding a recent letter by the American Bankers Association (ABA) attacking credit unions and opposing proposed legislation to allow credit unions to add underserved areas to their fields of membership. 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 appreciate the work of the committee in discussing the "Expanding Access for Underserved Communities Act" in a series of hearings. It is unfortunate that bankers continue to attack efforts by credit unions to do more to help the underserved, rather than focusing on cleaning up their own track record. Since the year 2000, banks have had to pay a staggering $240 billion in fines and penalties for violations of various consumer protection laws and other statutes.

Meanwhile, 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 as they are able. 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 type to add 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.

While banking trades might say that credit unions already have the ability to add underserved areas to their fields of membership, they do not mention that not all have that ability, as only multiple common-bond credit unions can add underserved areas. Many credit unions want to do more to help underserved areas as banks retreat from these areas and passing legislation to help credit unions fill the void would be a commonsense first step.

The banking trades have long been an opponent of voluntary bank/credit union mergers, and unfortunately use their recent letter to raise this issue again. Bank and credit union mergers are typically a win-win for a local community that may lose its community-focused financial services, or even local employees and branches, if a mega-bank buys the local community bank. It should come as no surprise that the top trade association for mega-banks would oppose these mergers. Credit union-community bank mergers often mean employees retain jobs and branches remain open with a focus on the members in the community. These mergers also cannot occur without approval from both bank and credit union regulators. This is a power that the National Credit Union Administration (NCUA) takes seriously as evidenced by their work on rulemaking in this area last year. Furthermore, credit unions that merge with a bank retain their credit union characteristics and are still subject to strict statutory prohibitions and limits on powers as set out in the *Federal Credit Union Act*, including field of membership requirements for the newly acquired bank customers, limits on business lending, a usury ceiling, and the capital limitations of credit unions.

It is duplicitous that the bankers attacked credit unions over their supposed lack of participation in the Paycheck Protection Program (PPP), while also attacking credit unions for making small business loans in the first place. Despite this rhetorical discrepancy, NAFCU would like to set the record straight on credit union participation in the PPP program. As you know, credit unions stepped up to ensure small businesses in their communities were taken care of during the initial days of the pandemic, and their response through the PPP was tremendous. Despite the uncertainty surrounding the PPP as it launched and the associated risks, credit unions did all they could to ensure their existing and new small business members were taken care of. 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 Small Business Administration's (SBA) PPP data from the first two rounds shows that credit unions made loans in amounts much lower than the national average. In 2020, the average credit union PPP loan was under $50,000, while the average PPP loan overall was over $100,000.[1] In 2021, the average credit union PPP loan was $33,869, while the average PPP loan overall was $42,000.[2] Furthermore, according to NAFCU's analysis of SBA's PPP data, a full 75 percent of credit union PPP loans went to businesses with fewer than five employees. While banks are quick to point out that credit unions only deployed 2% of all PPP loans, they forget to mention this is because the loan size was so small, going to the smallest businesses. The credit union commitment to serving all is also seen in the fact that there are over three times as many minority depository institution (MDI) credit unions as MDI banks.

[1] DuPlessis, Jim, "PPP Helps Businesses and Credit Unions," *Credit Union Times* (June 15, 2021), available at https://www.cutimes.com/2021/06/15/ppp-helps-businesses-and-credit-unions/.
[2] Small Business Administration, Paycheck Protection Program (PPP) Report (May 31, 2021), available at https://www.sba.gov/sites/default/files/2021-06/PPP_Report_Public_210531-508.pdf.

Banking trades are keen to attack credit unions seeking relief from the arbitrary member business loan (MBL) cap, however they gloss over the fact that credit unions have a cap on these loans at all. An MBL cap serves as a disincentive for many credit unions to focus on small business programs, as successful small business efforts could reach the cap and run into limitations. Small businesses have turned to credit unions after many big banks turned them away during the pandemic. If banks were serious about helping underserved areas, they would not have turned so many customers away that then went to credit unions for help.

It is with these facts in mind that we urge you to reject this recent round of banker rhetoric and support the "Expanding Access for Underserved Communities Act."

We thank you for the opportunity to share our thoughts on this important issue. 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,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Committee on Financial Services