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National Association of Federally-Insured Credit Unions

September 9, 2020

The Honorable Abby Finkenauer
Chairwoman
Subcommittee on Rural Development,
Agriculture, Trade, and Entrepreneurship
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Joyce
Ranking Member
Subcommittee on Rural Development,
Agriculture, Trade, and Entrepreneurship
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Re: Tomorrow's Hearing, "Kick Starting Entrepreneurship and Main Street Economic Recovery"

Dear Chairwoman Finkenauer and Ranking Member Joyce:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in regard to tomorrow's hearing, "Kick Starting Entrepreneurship and Main Street Economic 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 over 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 participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and have helped countless main street 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 turned to credit unions for PPP loans when other lenders would not work with them, leading to an influx of new main street small business members at credit unions.

As the Committee examines the long-term recovery of small businesses, we urge you to consider changes to the *Federal Credit Union Act* that will allow credit unions to continue to provide much-needed access to capital to their new small business members. As you are aware, credit unions face arbitrary restrictions in the *Federal Credit Union Act* on the ability to offer member business loans (MBLs). In 1998, Congress codified the definition of an MBL and limited a credit union's MBL 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.

The Honorable Abby Finkenauer, The Honorable John Joyce

September 9, 2020

Page 2 of 2

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 main street 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 Sarah Jacobs, NAFCU's Associate Director of Legislative Affairs, at 703-842-2231 or sjacobs@nafcu.org.

Sincerely,

A handwritten signature in cursive script that reads "Brad Thaler".

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Committee on Small Business