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April 9, 2019

The Honorable Andy Kim
Chairman
The Committee on Small Business
Subcommittee on Economic Growth, Tax,
and Capital Access
United States House of Representatives
Washington, DC 20515

The Honorable Kevin Hern
Ranking Republican Member
The Committee on Small Business
Subcommittee on Economic Growth, Tax,
and Capital Access
United States House of Representatives
Washington, DC 20515

Dear Chairman Kim and Ranking Member Hern:

On behalf of the Credit Union National Association (CUNA), I am writing to commend you for holding the hearing on the "SBA 7(a) Budget Proposal and the Impact of Fee Structure Changes." I respectfully request that this letter be made part of the record for this hearing. The Credit Union National Association represents America's credit unions and their more than 115 million members.

Since 2003, when the Small Business Administration (SBA) first expanded its loan guarantee programs to include originations by credit unions, credit unions have become an increasingly important provider of loans to America's small businesses, including through participation in the SBA's 7(a) Loan Program. CUNA and credit unions are strong supporters of this Program, as we believe its objectives are laudable.

In the aftermath of the financial crisis, it was credit unions that significantly increased their small business lending to provide businesses with the necessary capital to sustain and grow their operations. Between 2008 and 2016, credit unions' small business lending activity doubled to more than \$60 billion. The more than 5,000 credit unions currently operating in the United States and their over 100 million members have a vested interest in the continued availability of the SBA's loan programs.

While the 7(a) Loan Program traditionally operates without appropriations from Congress, the SBA indicated in its budget request for FY 2020 an expected shortfall in funding. In response, the SBA has proposed to increase associated fees in order to cover the shortfall. As discussed below, CUNA has concern over the unintended consequences of such an increase in fees.

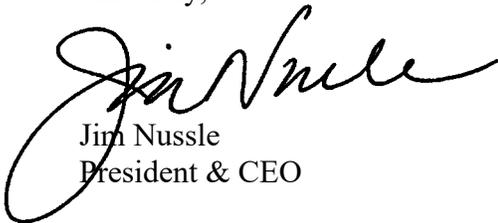
One of the many services credit unions provide their members is lending through the SBA's 7(a) Loan Program. Currently, there are 6,532 outstanding SBA loans by credit unions in the aggregate amount of \$2,768,245,096. Any increase to the current cost to participate in the Program could unintentionally lead to a decrease in these numbers. The primary concern with a fee increase is that it could dissuade potential borrowers from pursuing loans through the 7(a) Loan Program, which is often one of, if not the, last possible source of credit for an aspiring entrepreneur or existing small business owner striving to increase his or her operations.

CUNA supports the SBA charging appropriate fees that are necessary to sustain the 7(a) Loan Program without cost to taxpayers. We believe this is the original intent of the Program and has allowed it to operate effectively. In addition, we understand it is necessary for fees associated with the SBA's loan programs to increase on occasion to compensate for related increases in administrative costs. However, we are concerned that the 7(a) Loan Program fees continue to increase without an obvious increase in costs, such as those related to administering the Program or those resulting from a significant deterioration in the SBA's loan portfolio.

The SBA's loan programs remain a critical tool for credit unions as they seek to meet members' needs for business capital and credit. Accordingly, CUNA understands reasonable fees are necessary to ensure continued availability of programs such as 7(a). However, since any increase will be passed on to the borrower by the lending credit union or other 7(a) Loan Program participant, we have concerns that the amount of the fee increase proposed for FY 2020 could cause some potential borrowers to forego or delay a small business loan backed by the SBA. Therefore, we ask this Subcommittee to request the SBA reevaluate its proposed fee increase to ensure the amount of any increase is absolutely necessary to maintain the Program.

On behalf of America's credit unions and their 115 million members, thank you for recognizing the importance of this issue and holding this important hearing.

Sincerely,



Jim Nussle
President & CEO