May 29, 2020

The Honorable Steven Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 Third Street, SW
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza:

We, the undersigned state credit union associations and leagues (Leagues), which comprise the American Association of Credit Union Leagues (AACUL), and the Credit Union National Association (CUNA), thank you for your hard work and ongoing leadership during this crisis. State credit union leagues, AACUL, and CUNA represent credit unions across the nation and their 115 million members.

We appreciate the Department of Treasury and Small Business Administration's (SBA) diligent efforts to facilitate the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. PPP has provided loans to many small businesses in need across the United States during these challenging times. Credit unions have used this program to help their member small businesses meet important financial needs.

As you know, the linchpin of PPP is loan forgiveness. This unique feature effectively turns a PPP loan into a grant if specific conditions are met for the use of the borrowed funds. Loan forgiveness helps support businesses by providing them funding to pay employees and certain other expenses that will not have to be repaid, allowing businesses to stay solvent in a time of decreased revenues.

As the PPP transitions from lending money to small businesses to the loan forgiveness phase, lenders and borrowers are starting to wrestle with the requirements for loan forgiveness. The size and sophistication of borrowers varies widely from large public corporations to the self-employed. In fact, some credit unions made PPP loans to members for less than $1,000. Although borrower size and sophistication varies widely, we suspect that nearly all borrowers envision applying for and receiving forgiveness for these loans.

Credit unions are concerned that the recently published application for loan forgiveness is overly complex for most businesses. The complexity of the forgiveness process presents an even greater challenge for small business as they have fewer resources to deploy on an overly complex application process. Moreover, feedback from our members indicates that the forms will likely require help from outside accountants and even attorneys for most businesses. This is an expense many of the smallest businesses cannot afford. Creating an overly complex forgiveness process would seem to be the antithesis to the spirit of a program designed to rapidly deploy resources to small business especially when the expectation is that the funds appropriated to PPP were never expected to be repaid.

Particularly troubling for small businesses is calculating covered expenses. The process requires that business make several calculations to determine the highest covered expenses. This requires borrowers to determine if it is better to use the traditional covered period, or the alternative covered period. Payroll costs can include items as far ranging as salary, wages, commission, and cash tips to parental, family, medical or sick leave, and payment for the provision of employee benefits consisting of group health care coverage, insurance premiums, and retirement among many other items. For an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation must be determined. The process becomes even more complex if a small business has to consider pension costs. These are cumbersome calculations to make without assistance.

Credit unions are concerned borrowers may rely on them for assistance in checking whether business have properly calculated forgiveness amounts. Although credit unions are required to review a forgiveness application and supporting documentation to make a forgiveness decision, this review process should not be relied on by borrowers to help complete applications. The calculation worksheet provided in the guidance is very helpful, but this is a serious undertaking for any borrower to calculate correctly.

We recommend that Treasury and the SBA revamp the forgiveness application process for loans under $350,000. This threshold captures the vast majority of loans and is the amount at which the CARES Act makes the lowest cutoff in determining lender processing fees. Furthermore, the process could be simplified even more or made automatic for the smallest of borrowers requiring nothing more than a good faith certification that the funds were spent on forgivable expenses. This threshold could be set much lower, for example at $50,000.

Credit unions are committed to providing financial services to Americans through this crisis and recovery. On behalf of the state credit union leagues, AACUL, CUNA and our 115 million members, thank you for your leadership during this crisis and the consideration of our views.

Sincerely,

Jim Nussle, President and CEO
Credit Union National Association

Diana Dykstra, AACUL Chair
President and CEO
California & Nevada Credit Union League

Daniel McCue, President and CEO
Alaska Credit Union League

Bruce Adams, President & CEO
Credit Union League of Connecticut

Dan Schline, President and CEO
Carolinas Credit Union League

Ron McLean, President and CEO
Cooperative Credit Union Association

Caroline Willard, President and CEO
Cornerstone Credit Union League

Patrick Conway, President and CEO
CrossState Credit Union Association

Jeff Olson, President and CEO
Credit Union Association of the Dakotas

Dennis Tanimoto, President and CEO
Hawaii Credit Union League

Brad Douglas, President and CEO
Heartland Credit Union Association

Tom Kane, President and CEO
Illinois Credit Union System

John McKenzie, President and CEO
Indiana Credit Union League

Murray Williams, President and CEO
Iowa Credit Union League

Debbie Painter, President and CEO
Kentucky Credit Union League

Patrick La Pine, President and CEO
League of Southeastern Credit Unions

Bob Gallman, President and CEO
Louisiana Credit Union League

Todd Mason, President and CEO
Maine Credit Union League

John Bratsakis, President and CEO
Maryland | DC Credit Union Association

Dave Adams, President and CEO
Michigan Credit Union League & Affiliates

Mark Cummins, President and CEO
Minnesota Credit Union Network

Charles Elliott, President and CEO
Mississippi Credit Union Association

Tracie Kenyon, President and CEO
Montana’s Credit Unions

Scott Earl, President and CEO
Mountain West Credit Union Association

J. Scott Sullivan, President and CEO
Nebraska Credit Union League & Affiliates

Paul Stull, President and CEO
Credit Union Association of New Mexico

William Mellin, President and CEO
New York Credit Union Association

Troy Stang, President and CEO
Northwest Credit Union Association

Paul Mercer, President and CEO
Ohio Credit Union League

Fred Robinson, President and CEO
Tennessee Credit Union League

Scott Simpson, President and CEO
Utah Credit Union Association

Ken Watts, President and CEO
West Virginia Credit Union League

Joe Bergeron, President and CEO
Association of Vermont Credit Unions

Brett Thompson, President and CEO
Wisconsin Credit Union League

Rick Pillow, President and CEO
Virginia Credit Union League