

June 25, 2020

The Honorable Brad Sherman  
Chairman  
Subcommittee on Investor Protection, Entrepreneurship,  
and Capital Markets  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

The Honorable Bill Huizenga  
Ranking Member  
Subcommittee on Investor Protection, Entrepreneurship,  
and Capital Markets  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Sherman and Ranking Member Huizenga:

On behalf of America's credit unions, I am writing regarding the hearing entitled, "Capital Markets and Emergency Lending in the COVID-19 Era." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

Ensuring that consumers are protected during and after the COVID-19 pandemic is paramount for credit unions. We applaud Congressional efforts to establish the Paycheck Protection Program (PPP) created by the CARES Act. Thanks to the PPP, credit unions have been able to help their members by providing loans to many small businesses in need across the United States during these challenging times.

#### **H.R. 6790, The Business Borrowers Protection Act**

H.R. 6790 would prevent lenders from requiring borrowers to repay on an accelerated basis any government loan related to the COVID-19 pandemic. We thank Chairman Sherman for his efforts to protect consumers and small businesses. However, we believe that this legislation would be unnecessary if a simplified loan forgiveness policy was in place.

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. 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.

We ask Congress to ensure Treasury and the Small Business Administration (SBA) simplify the forgiveness application process for loans under \$350,000. This threshold would capture the vast majority of loans and is the amount at which the CARES Act makes the lowest cutoff in determining lender processing fees. Additionally, the agencies should consider making forgiveness of these loans automatic or simply require a good faith certification that the funds were spent on forgivable expenses.

#### **H.R. \_\_\_\_, The CARES Act Section 4014 Technical Corrections Act**

A provision to delay the effective date of the Financial Accounting Standards Board's (FASB) Current Expected Credit Loss (CECL) accounting standard for entities presently required to comply with the standard was included in the CARES Act. However, this provision does not relieve the burden on credit unions and other lenders which have until 2023 to come into compliance. This legislation does correct a problem for certain financial institutions. However, we encourage Congress

to ensure the relief from CECL in the CARES Act does not terminate in the middle of a company's fiscal year and recommend a further delay of CECL for credit unions and other lenders, which should have been included in the first place.

We appreciate FASB's decision in October 2019 to move the effective date for CECL compliance to January 2023 for credit unions and other financial institutions. At the time the FASB proposed moving the date, we supported 2023 as an appropriate timeframe for credit unions.

However, in light of the current crisis, we urge FASB and Congress to provide additional time for CECL compliance. While some credit unions are in the final stages of preparation, the vast majority are in the very early stages of gathering necessary data and beginning to make the numerous changes required under CECL. A one-year delay will help ensure our nation's credit unions—the median of which is well under \$50 million in assets—are prepared to comply. Therefore, we urge the Committee to delay the effective date of CECL as it applies to credit unions until at least January 2024.

**H.R. \_\_\_ To temporarily halt the Federal financial regulators from carrying out rulemakings unrelated to the COVID-19 emergency until the end of such emergency**

While we appreciate the intent of this legislation—to temporarily halt regulators from carrying out rulemakings unrelated to the COVID-19 pandemic—we are concerned that the way this legislation is drafted may spur severe unintended consequences. This legislation would halt updates to important and timely rulemakings such as the CFPB's updates to its payday rule and even prevent the National Credit Union Administration from updating its rulemakings.

A more constructive approach would be to suspend all pending rulemakings - and not propose additional rulemakings - except those intended to reduce regulatory burden or to facilitate service to members during this crisis. We encourage Congress to consider this approach prospectively.

On behalf of America's credit unions and their 115 million members, thank you for considering our views.

Sincerely,



Jim Nussle  
President & CEO