October 22, 2020

The Honorable Barry Loudermilk
United States Congress
Washington, DC 20515

The Honorable David Scott
United States Congress
Washington, DC 20515

Dear Representative Loudermilk and Representative Scott,

On behalf of America’s credit unions, I am writing in support of the Preventing Regulatory Penalties for PPP Lenders Act. The Credit Union National Association (CUNA) represents America’s credit unions and their more than 120 million members.

Credit unions have helped many Americans and American businesses during the COVID-19 pandemic by providing essential financial services. One of the products offered to credit union members was loans through the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). As you know, the PPP was developed in a short period without the careful consideration normally given to novel financial products, which makes it unique among financial products. Rapid deployment of funds through PPP was necessary to save jobs and businesses; however, the consequence of the stunted development phase was that the impact on financial institutions from these loans was not considered.

For many reasons, including a complex forgiveness process, PPP loans are remaining on financial institutions’ balance sheets for longer than was originally anticipated and this is creating unintended consequences for these institutions that put so much effort into helping Americans. One important effect on PPP lending credit unions is that it can cause a credit union to cross an asset-based regulatory threshold. For credit unions this occurs when net worth ratio falls below 7%, which causes a credit union to lose its status of being well capitalized. A less than well capitalized credit union becomes subject to the National Credit Union Administration’s (NCUA) rules for prompt corrective action, which requires credit unions to comply with many additional onerous regulations designed to increase their capital.

PPP loans should not impact a credit union’s balance sheet as they are meant to be short term and are fully guaranteed by the SBA. This bill will remedy this unintended consequence to credit unions that made PPP loans and thus is necessary to mitigate the negative impact on these credit unions.

On behalf of America’s credit unions and their more than 120 million members, thank you for your leadership on this important issue.

Sincerely,

Jim Nussle
President & CEO

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