Credit Union National Association
CUNA

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The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "More than a Shot in the Arm: The Need for Additional COVID-19 Stimulus." CUNA represents America's credit unions and their more than 120 million members.

Throughout the COVID-19 pandemic, we have seen economic disruption across the country with revenue streams coming to a halt and the number of unemployed or financially distressed consumers significantly increased.

CUNA appreciate the steps taken in the 116th Congress that helped credit unions remain in a position to serve their members, including the enactment and extension of legislation to accommodate troubled debt restructuring, to extend the borrowing authority of the Central Liquidity Facility (CLF), to include credit unions as lenders in the Paycheck Protection Program (PPP), to simplify the PPP loan forgiveness process and to leverage the power of Community Development Financial Institutions (CDFI) to assist communities in need.

As such, credit unions have tailored their service to meet immediate and long-term needs of their members by providing low- and no-interest loans, payment forbearance, fee waivers, payroll advances, loan modifications, and other services that help meet the needs of their members in crisis. The credit union "People Helping People" philosophy is alive every day, but during uncertain times credit union members feel its impact greatest.

While we understand that the next COVID-19 bill could be moved through Congress under process which may limit the inclusion of certain policies, we urge you to consider not just the immediate needs of Americans, but the long-term economic recovery.

That said, we urge Congress to take further legislative action to ensure that credit unions remain in a position to serve their more than 120 million members including:

Exempt Member Business Loans During and for One Year After the National Emergency

As the COVID-19 pandemic persists, small businesses across the country will continue to need capital and credit unions are able to pump billions into the economy—at no cost to the government. However, an obstacle impedes credit unions from fully assisting these businesses: the arbitrary credit union MBL cap which limits some credit union lending activity to 12.25% of assets.

Given the financial needs of so many small businesses, now is the time to provide credit unions with additional flexibility to serve their business members by lifting the cap.

While credit union business lending has increased greatly since the Great Recession, many credit unions are now approaching the 12.25% of asset cap. We conservatively estimate that even temporarily removing the MBL cap will provide over $5.5 billion in capital to small and informal business ventures, creating nearly 50,000 jobs just over the course of the next year[1].

Additional credit union lending will not impede bank lending activity. Small Business Administration (SBA) research shows that growth in credit unions' small business lending is apparent in many respects, but a majority of credit union business lending is for loans that banks will not originate. This means a majority of credit union lending does not replace lending that would otherwise be done by banks—it is lending that otherwise would not occur[2]. SBA research specifically shows that roughly 80% of credit union business loans are loans that banks would not make.

Small businesses and communities around the country are suffering and need access to relief. Lifting the MBL cap would not only provide small businesses with the assistance they need immediately, but also stimulate the economy in the long term. As such, we urge the inclusion of a provision to lift the credit union MBL cap in the next COVID-19 stimulus bill.

Provide Temporary Flexibility to NCUA to Offer Forbearance from Prompt Corrective Action Requirements

Credit union capital requirements are different than bank requirements in several respects, including that only retained earnings count as Tier I capital for credit unions and thresholds for credit union capital levels are hardwired into statute. These limitations restrict NCUA in its ability to provide accommodations to otherwise healthy credit unions impacted by natural disaster, pandemic and other crises.

As Congress considers addition pandemic recovery legislation, we encourage you to include language that provides temporary flexibility to NCUA to offer forbearance from prompt corrective action credit unions impacted by the pandemic and which were otherwise healthy prior to the onset of the crisis. While credit unions entered the crisis extremely well-capitalized, the impact of the ensuring economic crisis has and will put stress on capital and, given credit unions' limited ability to raise capital, the regulator could use additional tools.

Given that a statutory change is required, we urge you to include language providing NCUA temporary flexibility on the upcoming recovery bill.

Community Development Financial Institutions (CDFI)

Many credit unions are a Community Development Financial Institution (CDFI). CDFIs serve people and small businesses that are the first to feel the real-world effects of a missed paycheck or a cancelled order or contract. These small businesses and individuals were the first Americans in this current COVID-19 crisis to need access to emergency credit and other assistance available from their credit unions and other small community financial institutions. Credit union CDFIs were and remain well positioned to help underserved areas recover from the COVID-19 pandemic and future crises and natural disasters. The Community Development Financial Institution (CDFI) Fund and the Community Development Revolving Loan Fund (CDRLF) are important programs that facilitate credit unions' improving their members' financial well-being and advancing their communities.

CUNA appreciates the creation of programs to aid CDFIs in the last COVID-19 relief legislation including the Emergency Capital Investment Program (ECIP) and Rapid Response Program (RRP). However, it is not clear whether eligibility for the ECIP program is limited to CDFIs and Minority Depository Institutions exclusively. Additionally, the RRP requires quarterly reporting at a level of detail would be a prohibitive burden for credit unions and severely limit participation in

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[1] CUNA estimate assumptions: 1. Grandfathered CUs, Non-Federally Insured and/or Low-Income designated do not increase lending; 2. Non-Commercial lenders lend in amount equal to 1% of assets on average under the new authority; 3. All other Commercial CUs lend in amount equal to 60% of their current use rate; 4. Estimates produced using assumptions 1-3 are further adjusted as follows: * CUs with net worth/assets <=6% are assumed to have no Commercial Loan growth* CUs with net worth/assets between 6% and 7% remain at the current 12.25% cap. * CUs with Comm Lns/assets >= 10% are limited to a 30% increase in Commercial Loans in the 1st year. 5. First year increases: baseline estimate = 50% of new use rate; adjusted/conservative estimate = 40% of new use rate. 6. Employment increase is based on Council of Economic Advisors 5/09 ARRA job creation estimates ($92,000 in spending creates 1 job / $109,633 in 2019 dollars).

[2] Wilcox, James A., The Increasing Importance of Credit Unions in Small Business Lending. Small Business Administration Office of Advocacy (2011).

the program. We ask Congress to urge the Treasury Department to provide clear guidance for the eligibility of the ECIP; ensure the RRP process does not favor past CDFI Fund awardees; and modify RRP reporting.

Conclusion

On behalf of America's credit unions and their more than 120 million members, thank you for the opportunity to share our views and look forward to working with you on these important issues.

Sincerely,

Jim Nussle
President & CEO