Credit Union National Association
CUNA

Jim Nussle
President & CEO

Phone: 202-508-6745
jnussle@cuna.coop

99 M Street SE
Suite 300
Washington, DC 20003-3799

February 24, 2021

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Brown and Ranking Member Toomey,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "The Coronavirus Crisis: Next Steps for Rebuilding Main Street." CUNA represents America's credit unions and their more than 120 million members.

Since the beginning of the pandemic, credit unions have been working to ensure they remain in a position to serve their members during and after the crisis. Credit unions flexed their people helping people muscle to help their members weather financial challenges presented by the current economic disruption.

Credit unions proudly participated in the Paycheck Protection Program (PPP) which Congress established in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Hundreds of credit unions loaned PPP funds to tens of thousands of businesses, focusing their efforts on Main Street, not Wall Street. Credit unions were proud to offer PPP loans to help small business owners recover from the impact of the pandemic, facilitating more than 200,000 loans that averaged just $47,000.

We appreciate the swift response that Congress has undertaken to address the economic consequences of the pandemic. More needs to be done, and still more will need to be accomplished in the months and years ahead. As financial first responders, America's credit unions stand willing and able to help consumers and small businesses during the crisis and into recovery.

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

Providing 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 additional pandemic recovery legislation, we encourage you to include language that provides temporary flexibility to NCUA to offer forbearance from Prompt Corrective Action (PCA) for 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.

We urge you to provide NCUA temporary flexibility.

Exempting Member Business Loans During 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 Member Business Lending (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.

Expanding Credit Union Field of Membership
One of the most important things that Congress could do to promote financial inclusion and ensure that access to financial services is equitable would be to ensure that federal law permits all federal credit unions to serve underserved areas. Under current law, only multiple common bond credit unions are eligible to add underserved areas to their field of membership. If Congress and the Administration's policy goal is to ensure and equitable economic recovery from the pandemic and that all have access to affordable financial services, then the policy should not restrict a subset of member-owned, not-for-profit financial institutions from providing service to these communities. The law ought to facilitate credit unions' inviting people in, not keeping people out. Now is the time to as Congress to remove field of membership restrictions.

On behalf of America's credit unions, thank you for the opportunity to share our views.

Sincerely,

Jim Nussle
President & CEO

---

[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).