Credit Union National Association
CUNA

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The Honorable Nydia M. Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

The Honorable Blaine Luetkemeyer
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "The Next Steps for the Paycheck Protection Program." The Credit Union National Association (CUNA) represents America's credit unions and their more than 120 million members.

Credit unions were proud participants in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). In fact, some credit unions were so eager to help their members through this program that they participated even though they had no previous relationship with the SBA. However, the quick implementation and slow bureaucracy at the SBA lead to significant and well documented problems for even the most experienced SBA lenders.

The PPP has played an important role in keeping small businesses and their employees afloat during this crisis. Credit unions helped Main Street America by facilitating more than 200,000 PPP loans that averaged just $47,000. With the passage of H.R. 133, the Consolidated Appropriations Act, we appreciate Congress' inclusion of language to simplify the forgiveness process for certain loans and allowing lenders and small business owners to remain focused on serving their communities rather than jumping through burdensome regulatory hoops. Further, we acknowledge and appreciate the leadership of Senators Cramer, Menendez, Tillis, and Sinema, and Representatives Houlihan and Upton in ensuring that this provision was included in H.R. 133.

In addition, we appreciate that H.R 133, which was enacted on December 27, 2020, included an additional authorization of $284 billion in new PPP lending. This funding is much needed but likely insufficient to cover the need of struggling small businesses. We urge Congress to consider additional PPP funding in 2021.

Looking forward, beyond PPP, small businesses across the country will continue to be in need of funds and credit unions are in a position to pump billions of capital into the economy. There's only one obstacle: an arbitrary credit union Member Business Lending (MBL) cap which currently limits credit union lending activity to 12.25% of assets.

Even temporarily lifting the cap will result in more credit union business lending. While credit union business lending has increased greatly since the Great Recession, many credit unions are now approaching the 12.25% of assets cap. Representatives Sherman and Fitzpatrick recently introduced legislation (H.R. 1471) that would lift the cap for the duration the COVID-19 pandemic and for one year following its declared end. We conservatively estimate that temporarily removing the MBL cap, this legislation will provide over $5.5 billion in capital to small and informal business ventures, creating nearly 50,000 over the course of the next year[1].

Additional credit union lending will not impede bank lending activity. 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 won't originate – which 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. As you continue your work to provide funding and resources to our small businesses, I would encourage you to support and include H.R. 1471 to ensure credit unions are able to fully serve their communities.

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).