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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 Quarterly CARES Act Report to Congress." CUNA represents America's credit unions and their more than 120 million members.

CUNA appreciates the steps taken by the Department of Treasury, Federal Reserve, and Congress that helped credit unions remain in a position to serve their members, including allowing credit unions as lenders in the Paycheck Protection Program (PPP), simplifying the PPP loan forgiveness process and to leverage the power of Community Development Financial Institutions (CDFI) to assist communities in need.

That said, we urge further legislative action to ensure that credit unions remain in a position to serve our members and small businesses:

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

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. We appreciate that the Consolidated Appropriations Act, enacted on December 27, 2020, included an additional authorization of \$284 billion in new PPP lending. However, this round of PPP funding is set to close at the end of this month.

Looking beyond PPP, however, 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 business lending cap which limits credit union business 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 member business loan (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 year¹.

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 Commercial Loans/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).

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 occur².

Small businesses and communities around the country are suffering and need access to relief. As such, we urge Congress to take action and provide flexibility for credit unions by lifting, even temporarily, the MBL cap. Providing credit unions flexibility to exceed the MBL cap would not only provide small businesses and consumers with the assistance they need immediately, but also stimulate the economy in the long term.

On behalf of America's credit unions and their more than 120 million members, thank you for the opportunity to share our views.

Sincerely,



Jim Nussle
President & CEO

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