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

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

Chairwoman Velázquez and Ranking Member Luetkemeyer,

On behalf of America's credit unions, I am writing regarding the hearing entitled, "Update on SBA's Pandemic Response Programs." CUNA represents America's credit unions and their more than 120 million members.

The Paycheck Protection Program (PPP) has played an important role in keeping small businesses and their employees afloat throughout the COVID-19 crisis. Credit unions helped Main Street America by facilitating more than 200,000 PPP loans that averaged just \$47,000.

Urge SBA to Provide Certainty for PPP Loan Forgiveness Applications

CUNA appreciates the passage of H.R. 133, the Consolidated Appropriations Act, which included 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. 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.

However, there is a large backlog of outstanding PPP loan forgiveness applications that have not received a response from the SBA. Under the SBA's own Interim Final Rule, the SBA is required to issue a decision within 90 days after a forgiveness application has been received¹. Despite the Interim Final Rule, businesses and financial institutions are waiting well past the deadline for a response.

While we understand there is a high volume of loan forgiveness applications, small businesses and financial institutions need certainty on the status of their applications. We urge SBA to address these delays with loans forgiveness applications and to ensure that SBA has adequate staff in place to provide customer service in the upcoming months.

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

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 dollars into the economy. There's only one obstacle stopping credit unions from making these important small business loans: an arbitrary credit union Member Business Lending (MBL) cap which currently limits some credit union lending activity to 12.25% of assets.

¹<https://www.sba.gov/sites/default/files/2021-01/PPP%20--%20IFR%20--%20Loan%20Forgiveness%20Requirements%20and%20Loan%20Review%20Procedures%20%281.19.2021%29-508.pdf>

With many credit unions approaching or at the 12.25% of assets 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 over the course of the next year².

Allowing credit unions the ability to offer more business loans by removing the MBL cap will not replace or crowd out bank business lending activity, it will only increase the pool of resources to small business. 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 occur³. 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. Providing credit unions flexibility to temporarily 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. As such, we urge swift passage of H.R. 1471, a bill introduced by Representatives Brad Sherman and Brian Fitzpatrick, that would exempt COVID-related lending from the MBL cap for up to one year after the pandemic.

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 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).

³ Wilcox, James A., The Increasing Importance of Credit Unions in Small Business Lending. Small Business Administration Office of Advocacy (2011).