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National Association of Federally-Insured Credit Unions

December 21, 2020

The Honorable Mitch McConnell Majority Leader United States Senate Washington, D.C. 20510	The Honorable Chuck Schumer Minority Leader United States Senate Washington, D.C. 20510
The Honorable Nancy Pelosi Speaker U.S. House of Representatives Washington, D.C. 20515	The Honorable Kevin McCarthy Minority Leader U.S. House of Representatives Washington, D.C. 20515

Re: Coronavirus Relief Legislation

Dear Leader McConnell, Speaker Pelosi, Leader Schumer, and Leader McCarthy:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our support for the bipartisan pandemic relief legislation being considered as part of the omnibus package before the House and Senate this week. We would like to take this opportunity to comment on various aspects of the measure. As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 122 million consumers with personal and small business financial service products.

PPP and Small Business Support

We are pleased to see that the relief package contains important support for our nation's small businesses, including authorization of a second round of Paycheck Protection Program (PPP) loans for the hardest-hit small businesses. As you know, credit unions have stepped up to ensure small businesses in their communities are taken care of during these uncertain times, and their response through the PPP has been tremendous. NAFCU members report that many of their small business members in hard hit sectors and locales need additional support to weather the pandemic. We thank you for including set asides for distribution of PPP funds by community financial institutions. As we saw in the first round of lending, these set asides are crucial to ensure all small businesses are served.

Furthermore, we are appreciative that the legislation takes key steps to fix aspects of the PPP program that posed significant challenges for credit unions and the small businesses they serve. The Act includes language similar to that of H.R. 7777/S. 4117, the *Paycheck Protection Small Business Forgiveness Act*, which would simplify the loan forgiveness process for PPP loans under a $150,000 threshold. While credit unions are working with their members to assist them with the current loan form, the complexity of the forgiveness rules and application is posing challenges for many small businesses who may not have the staff or expertise for such a complex application, especially with the current economic challenges.

The package also includes important language that would repeal the deduction of Economic Injury Disaster Loan (EIDL) advances from the PPP loan forgiveness amount. As you are aware, with the tremendous uncertainty during the early days of the pandemic, many small businesses applied for both an EIDL advance and PPP loan, uncertain if they would receive either one. Lenders processing PPP applications were often unaware that the small business sought or received an EIDL advance. Moreover, small businesses relied on early SBA guidance that indicated EIDL advances would be treated as grants. However, later guidance made clear that if a borrower receives an EIDL advance and PPP loan, the amount of the advance must be reduced from the loan forgiveness amount. As small businesses apply for PPP loan forgiveness, many have been shocked to learn about this unexpected debt burden. For small businesses, this debt burden is both shocking and a devastating blow at a time when they are already struggling to survive. For lenders such as credit unions, who were often unaware of a business's EIDL advance when underwriting a PPP loan, this means an unexpected burden on their balance sheets, which ties up capital that could be better used to serve their communities. We thank you for addressing this issue in the legislation.

CDFI/MDI Community Lenders

NAFCU thanks you for including $3 billion in emergency COVID-19 funding to the Community Development Financial Institutions (CDFI) Fund in the legislation, in addition to fully supporting the program in the FY 2021 appropriations. This will help CDFI-certified credit unions in establishing specific programs to assist the most financially vulnerable consumers and ensure their own resiliency and survival during our current economic and public health emergency.

Rental Assistance

We are pleased to see that the package provides $25 billion in rental assistance to the Treasury Department to allocate to state and local governments, as well as extends the eviction moratorium until January 31, 2021. Not only would rental assistance enable financially struggling Americans to stay in their homes during a pandemic, but it would help small landlords continue to make their mortgage payments, and help ensure this health crisis does not become another housing crisis.

Unemployment Assistance and Stimulus Checks

We support the legislation's provisions for expanded unemployment assistance and a second round of stimulus checks, which will help Americans struggling to afford basic necessities during this economic crisis. However, with this aid, we expect to again see a rise in deposits at credit unions, resulting in the National Credit Union Share Insurance Fund's (NCUSIF) equity ratio declining further. When the 117th Congress convenes, it should consider authorizing additional investment authorities for credit unions to manage this influx of deposits. For example, currently natural person credit unions are not permitted to invest in asset-backed securities although credit union service organizations are permitted to do so. Similarly, federal credit unions are not explicitly permitted to invest in corporate bonds although some state laws permit state-chartered credit unions to do so. NAFCU encourages Congress to consider language to permit such investments to ensure the safety and soundness of the industry while helping to restore the equity ratio.

Extension of CARES Act Provisions

We are also pleased that this package includes important extensions of Section 4016 of the CARES Act regarding the NCUA's Central Liquidity Facility (CLF) and Section 4013 dealing with Troubled Debt Restructuring (TDR). Extending these provisions for credit unions will help ensure that they have important tools to meet the pandemic challenges in the months ahead. Moreover, we are pleased the legislation extends the delay in Section 4014 of the CARES Act of the Current Expected Credit Loss (CECL) standard for an additional year, to January 1, 2022. Even though the Financial Accounting Standards Board (FASB) has delayed CECL for credit unions until the first quarter of 2023, credit unions will have to start bringing their portfolios in line in 2021 and 2022, so this temporary relief is helpful.

We thank you for the opportunity to share our thoughts and look forward to continuing to work with you on pandemic relief and economic recovery. Should you have any questions or require any additional information, please contact me or Sarah Jacobs, NAFCU's Associate Director of Legislative Affairs, at (571) 289-7550 or sjacobs@nafcu.org.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the United States Senate
Members of the United States House of Representatives