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**National Association of Federally-Insured Credit Unions**

July 8, 2020

The Honorable Joyce Beatty  
Chairwoman  
Subcommittee on Diversity & Inclusion  
Committee on Financial Services  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Ann Wagner  
Ranking Member  
Subcommittee on Diversity & Inclusion  
Committee on Financial Services  
United States House of Representatives  
Washington, D.C. 20515

**Re: Tomorrow's Hearing, "Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic"**

Dear Chairwoman Beatty and Ranking Member Wagner:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of tomorrow's virtual hearing titled, "Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products. NAFCU is extremely supportive of the Subcommittee's efforts to increase capital access for minority- and women-owned business enterprises (MWBEs), and we share your view that the pandemic has exacerbated the challenges these businesses face. Credit unions are proud of their record of serving MWBEs, and we have several suggestions as to legislation the Subcommittee could pursue to bolster credit unions' ability to provide financial services to these businesses.

As we have shared with you before, credit unions are proud of their record of diversity and commitment to helping the portions of their communities that are most in need with high-quality financial products and services. According to the National Credit Union Administration (NCUA), there are 526 federally-insured minority depository institution (MDI) credit unions that serve 3.9 million members (as of June 30, 2019). Furthermore, there were approximately 292 Community Development Financial Institution (CDFI)-designated credit unions at the end of 2019, constituting about 27 percent of all certified CDFIs. Ensuring that these institutions have the resources they need to survive and serve their members during these challenging times is critically important for the survival of our MWBEs and the health of our communities.

To that end, we support legislative efforts to ensure that CDFIs and MDIs have the resources they need to serve their communities. Providing \$1 billion in emergency funding for the CDFI Fund would allow more credit unions to access monies to provide specific programs to help their members, and NAFCU appreciates that this funding was included in the House's Phase IV relief bill, the *Health and Economic Recovery Omnibus Emergency Solutions Act* (HEROES Act). Additionally, we urge you to consider measures to make it easier for credit unions to become a CDFI. We also ask you to consider increasing funding for the NCUA's Community Development Revolving Loan Fund (CDRLF) program, which allows NCUA to provide technical assistance

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grants to credit unions serving low-income communities. NCUA Board Member Todd Harper has specifically called for at least \$10 million more for grants in 2020 to help low-income credit unions. Increasing these grants can help ensure that these credit unions have work-from-home infrastructure in place that is appropriately secure during social distancing measures.

In these trying times, credit unions are keenly aware of the hardships their members are facing due to the pandemic and are working around the clock to proactively assist them. Many credit unions have implemented programs to protect their members' financial health, including skipping payments without penalty, waiving fees, low or no-interest loans, loan modifications and no interest accruals. Furthermore, credit unions have stepped up to ensure small businesses in their communities are taken care of during these uncertain times through the Paycheck Protection Program (PPP). According to a NAFCU survey of credit unions, 87 percent of respondents reported that new members or businesses that were turned away by other lenders came to their credit union to apply for a PPP loan, underscoring the credit union commitment to serving all businesses.

Whether Congress chooses to extend the PPP or authorize a new loan program, NAFCU urges you to continue to set aside funds for community financial institutions to ensure that MWBEs are not left behind in future pandemic-relief efforts. We also ask you to consider additional set asides specifically for CDFIs and MDIs in future rounds of funding similar to what was included in the HEROES Act.

To boost credit unions' ability to lend to MWBEs, we ask the Subcommittee to consider amending the *Federal Credit Union Act* (FCU Act) to provide credit unions greater relief and flexibility from the arbitrary member business lending (MBL) cap. In 1998, Congress codified the definition of an MBL and limited a credit union's MBL to the lesser of either 1.75 times the net worth of a well-capitalized credit union or 12.25 percent of total assets. As the country faces recovery from the impact of COVID-19 on the economy, many credit unions have the ability to help small businesses create jobs and stimulate the economy. However, due to the outdated and arbitrary MBL cap, that ability is hampered. Providing relief from the cap would help provide economic stimulus and create jobs without using taxpayer funds. NAFCU supports bipartisan legislation pending in the House (H.R. 6789), the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020*, which would provide temporary relief from the MBL cap for loans to help small businesses recover from the COVID-19 crisis. We urge you to include this legislation in the next coronavirus relief package.

Finally, to help ensure that MWBEs in underserved areas can access credit union services, we ask that Congress consider amending the FCU Act to allow all credit unions to add underserved areas to their fields of membership. Currently, only multiple common bond federal credit unions are permitted to add underserved areas to their fields of membership. Too many Americans are unbanked, underbanked or underserved by financial institutions, and credit unions stand ready to help with financial literacy education and access to loans and other financial products. Allowing all credit unions to add underserved areas to their fields of membership will help those who need it most, including MWBEs, have access to capital at no cost to the federal government. This request has bipartisan NCUA Board support and has had bipartisan support in past Congresses, and we urge you to include it in the next relief bill.

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We thank you for your leadership and ongoing efforts to support MWBEs as well as CDFIs and MDIs during these uncertain times. We appreciate the opportunity to share our input and look forward to continuing to work with the Subcommittee on these issues. 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.

Sincerely,

A handwritten signature in cursive script that reads "Brad Thaler".

Brad Thaler

Vice President of Legislative Affairs

cc: Members of the Subcommittee on Diversity & Inclusion