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

July 6, 2020

The Honorable Emanuel Cleaver  
Chairman  
Subcommittee on National Security,  
International Development and  
Monetary Policy  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable French Hill  
Ranking Member  
Subcommittee on National Security,  
International Development and  
Monetary Policy  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

**Re: Tomorrow's Hearing, "Paycheck Security: Economic Perspectives on Alternative Approaches to Protecting Workers' Pay During COVID-19"**

Dear Chairman Cleaver and Ranking Member Hill:

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, "Paycheck Security: Economic Perspectives on Alternative Approaches to Protecting Workers' Pay During COVID-19." 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.

As we have shared with you previously, credit unions are keenly aware of the hardships their members are facing due to the COVID-19 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. However, although these programs help in the short term, they are not a permanent replacement for a paycheck. With the economic crisis ongoing and no end to the pandemic in sight, many Americans are unfortunately facing months of uncertainty and unemployment. Credit unions want to do all they can to help their members, but they are also uniquely limited compared to other types of financial institutions in their capital options. It is unsustainable for credit unions to continue to provide unlimited loan forgiveness and no-interest loans for the duration of the pandemic, especially if unemployment continues to rise.

Moreover, certain credit unions may be especially hard hit by the pandemic due to their field of membership. As you know, credit unions have distinct fields of membership that may include individuals who share a common bond of occupation, association, or community. If a credit union's field of membership consists of individuals in an industry devastated by this crisis, that credit union would be under enormous financial strain. More relief is needed to ensure that American consumers, businesses and financial institutions can weather this pandemic.

While the CARES Act provided temporary relief to many Americans and small businesses, many provisions are set to imminently expire even though the crisis continues. We greatly appreciate Congress acting swiftly last week to extend the Paycheck Protection Program (PPP) through

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August 8<sup>th</sup>. However, there remain some issues that we believe need to be addressed to ensure that the PPP is effectively helping small businesses retain their employees and maintain their operations. As you know, credit unions and their members were initially overwhelmed by the complexity of the PPP loan forgiveness process. We greatly appreciate the steps taken thus far to simplify the process, but more still needs to be done to help the smallest of businesses, many of whom may not have the staff or expertise for the application, especially with the current economic challenges. As such, NAFCU is supportive of automatic loan forgiveness for PPP loans under a \$150,000 threshold. We were pleased that a bipartisan group of Senate Banking Committee members introduced S. 4117, the *Paycheck Protection Small Business Forgiveness Act*, which would forgive PPP loans under \$150,000 if the borrower submits a one-page attestation form to the lender. We urge the Subcommittee to consider similar legislation to help the smallest businesses and their employees during these trying times.

Finally, we ask the Subcommittee to consider additional measures to help credit unions help their small business members, such as amending the Federal Credit Union Act to provide credit unions greater relief and flexibility from the member business lending (MBL) cap. Credit unions face arbitrary restrictions in the FCU Act on the ability to offer MBLs. In 1998, Congress codified the definition of an MBL and limited a credit union's member business lending 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) and Senate (S. 3676), 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.

We thank you for your leadership and ongoing efforts to support American consumers, businesses and financial institutions 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,



Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the Subcommittee on National Security, International Development and Monetary Policy