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National Association of Federally-Insured Credit Unions

June 30, 2020

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Today's Hearing, "Oversight of the Treasury Department's and Federal Reserve's Pandemic Response"

Dear Chairwoman Waters and Ranking Member McHenry:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts on some key areas ahead of today's hearing, "Oversight of the Treasury Department's and Federal Reserve's Pandemic Response." 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.

Paycheck Protection Program

Credit unions greatly appreciate that they were included as lenders under the Paycheck Protection Program (PPP), which is administered by the Small Business Administration (SBA) in coordination with the Treasury Department. The PPP been very successful and an important tool that credit unions have used to help their small business members survive the lockdowns required by the current pandemic. However, there remain some issues that we believe need to be addressed. As you know, credit unions and their members were initially overwhelmed by the complexity of the PPP loan forgiveness process. We greatly appreciate that the SBA and Treasury acted swiftly to release a revised, borrower-friendly loan forgiveness application implementing changes made by H.R. 7010, the *Paycheck Protection Program Flexibility Act*, as well as a new "EZ" version of the forgiveness application for borrowers who meet certain criteria. However, 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.

NAFCU member credit unions report making PPP loans in amounts much lower than the national average of both rounds of funding. As such, NAFCU is supportive of automatic loan forgiveness for PPP loans under a \$150,000 threshold. Loans under \$150,000 account for 85 percent of PPP recipients but only account for 26 percent of the funds disbursed by the SBA. This level would cover the majority of credit union loans, the vast majority of which have been to smaller businesses that could most benefit from this automatic forgiveness. A smaller PPP loan is less likely to pose a high risk of fraud so the benefits to all small businesses and lenders of providing this automatic or simplified forgiveness significantly outweigh the potential risks. Moreover, automatic forgiveness frees up human capital at a time when credit unions and small businesses may be short-staffed due to ramifications of COVID-19.

Understandably, the forgiveness application is one mechanism to uncover fraudulent activity; however, there are others and the SBA retains the right to review a borrower's loan documents for six years after the date the loan is forgiven or repaid in full. NAFCU would urge Congress, the SBA and Treasury to improve the forgiveness process by considering automatic loan forgiveness for loans below a \$150,000 threshold.

Regulation D Transfer Limit

Furthermore, NAFCU would like to express our support for the Federal Reserve's recent interim final rule that eliminates the Regulation D transfer limit. NAFCU agrees that implementation of monetary policy through an ample reserves regime does not necessitate a limit on the number of withdrawals or transfers made from a savings deposit. The interim final rule will provide important relief to credit union members during a time of elevated anxiety and financial stress by permitting unrestricted access to funds in savings accounts. Moreover, the interim final rule reduces the compliance burdens borne by credit unions that were previously required to enforce the limit and monitor member savings accounts. We were pleased to see that the Federal Reserve has clarified that they have no plans to reimpose this transfer limit in the future.

FedAccounts Proposal

Finally, NAFCU would like to reiterate our concern with the Committee's proposal to create a new "FedAccounts" system in order for consumers to deposit stimulus payments. The development of such a system may not realistically happen soon enough to help Americans during this crisis and could create major disruptions in the U.S. banking system that have not been fully vetted. NAFCU recognizes that it is critical that consumers have a fast and safe means to receive their much-needed economic impact payments (EIPs) during these uncertain times. To that end, we have worked to identify technical improvements to EIP delivery mechanisms through dialogue with Treasury. These improvements are designed to promote the fast and secure delivery of EIPs using electronic payment rails and direct deposit. NAFCU is open to continuing to work with Treasury and other financial agencies to advance the end goals of financial inclusion and better delivery of EIPs, but tasking the Federal Reserve with developing a wholly new retail banking operation would divert resources away from other important initiatives and overlook opportunities to improve the ability of credit unions to reach underserved or underbanked communities. Moreover, the Federal Reserve may not have the bandwidth to develop a FedAccounts system, and NAFCU believes its resources would be better directed toward finalizing FedNow, its proposed real-time payment system, so that Americans can more quickly receive their EIPs.

Instead of creating an entirely new paradigm via the proposed FedAccounts, to expeditiously promote financial inclusion, we suggest that you consider steps to take advantage of underused capacity in our current banking system. For instance, credit unions want to help Americans who are unbanked, underbanked or underserved by a financial institution, but many are statutorily limited in their ability to add underserved areas to their field of membership. Currently, only multiple common bond federal credit unions are permitted to add underserved areas to their fields of membership under the *Federal Credit Union Act* (FCU Act). As such, financial inclusion can be advanced by amending the FCU Act to allow all credit unions to add underserved areas to their field of membership. This request has bipartisan support from National Credit Union Administration (NCUA) Chairman Rodney Hood and Board Member Todd Harper. It has also had

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bipartisan support in previous Congresses. We strongly urge you to include this proposal in your next pandemic response package.

We thank you for your leadership and ongoing efforts to support American consumers and financial institutions during these uncertain times. We appreciate the opportunity to share our input and look forward to continuing to work with the Committee 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 black ink that reads "Brad Thaler". The signature is written in a cursive, slightly slanted style.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Committee on Financial Services