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

September 30, 2020

The Honorable Judy Chu  
Chairwoman  
Subcommittee on Investigations, Oversight  
and Regulations  
Committee on Small Business  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Ross Spano  
Ranking Member  
Subcommittee on Investigations, Oversight  
and Regulations  
Committee on Small Business  
U.S. House of Representatives  
Washington, D.C. 20515

**Re: Tomorrow’s Hearing, “Preventing Fraud and Abuse of PPP and EIDL”**

Dear Chairwoman Chu and Ranking Member Spano:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow’s hearing, “Preventing Fraud and Abuse of PPP and EIDL: An Update with the SBA Office of Inspector General and the Government Accountability Office.” NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 121 million consumers with personal and small business financial service products.

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 Paycheck Protection Program (PPP) was tremendous. Despite the uncertainty surrounding the PPP as it launched and the associated risks, credit unions did all they could to ensure their existing and new small business members were taken care of. According to a NAFCU survey, 87 percent of NAFCU members reported providing PPP loans to new members and businesses that were turned away by other lenders and came to their credit union to apply for a PPP loan. Moreover, compared to other types of lenders, credit unions disproportionately helped the smallest of small businesses. An analysis of SBA’s PPP data shows that credit unions made loans in amounts much lower than the national average, with the credit union average PPP loan approximately \$50,000. Furthermore, a full 70 percent of credit union PPP loans went to businesses with less than five employees. Economic Injury Disaster Loans (EIDL) are also an important tool in ensuring additional liquidity to members, and NAFCU is supportive of expanding access to these loans. We appreciate the Subcommittee’s continuing oversight of these programs.

While the PPP successfully provided a lifeline to small businesses struggling through unprecedented lockdowns, there remain issues with the forgiveness process that need to be addressed. NAFCU believes it is important to simplify the loan forgiveness process and application for smaller PPP loans. 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. We were pleased to see the SBA take steps to address this with the creation of the 3508EZ form, but NAFCU members report that they do not

see a huge difference in terms of processing the application as they still need to verify expenses and supporting documentation to ensure that they are meeting the lender requirements.

Furthermore, NAFCU members report hearing from their small business members concerns about the time and cost of correctly completing the forgiveness application. Many of those small businesses have had to seek outside assistance to help them with the form. Unfortunately, the time and money spent on forgiveness paperwork takes away from a small business's ability to serve its customers and continue to be able to pay its employees – a direct contradiction to the spirit of the PPP, which was designed to provide simplified aid to those in dire need of assistance. Recent media reports have quoted borrowers as needing 15 hours to complete the form, and lenders needing 50 to 70 hours. This time requirement is unrealistic for struggling small businesses.

That is one of the reasons why NAFCU supports of a simplified loan forgiveness process for PPP loans under a \$150,000 threshold, such as proposed in H.R.7777, the *Paycheck Protection Small Business Forgiveness Act*. This bipartisan proposal would simplify the loan forgiveness process for loans under \$150,000 to a one-page form. Loans under \$150,000 account for 87 percent of PPP recipients but only account for 28 percent of the funds disbursed by the SBA. This level would cover most 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 small businesses and lenders of providing this automatic or simplified forgiveness significantly outweigh the potential risks. Moreover, such a simplified forgiveness process 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 under H.R.7777. NAFCU would urge Congress and the SBA to improve the forgiveness process by considering automatic or simplified loan forgiveness for loans below a \$150,000 threshold and ensuring that there is clear and concise guidance for the forgiveness process. NAFCU supports the SBA maintaining a means of auditing forgiven loans, but we believe it is important that efforts to identify those that abused the system do not hamper the assistance that the vast majority of PPP recipients continue to need.

We thank you for the opportunity to share our perspective on this important topic in advance of this hearing. 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](mailto:sjacobs@nafcu.org).

Sincerely,



Brad Thaler  
Vice President of Legislative Affairs

cc: Members of the House Small Business Committee