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National Association of Federally-Insured Credit Unions

July 16, 2020

The Honorable Nydia Velázquez
Chairwoman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Steve Chabot
Ranking Member
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Re: Tomorrow's hearing on the Oversight of the Small Business Administration and Department of Treasury Pandemic Programs

Dear Chairwoman Velázquez and Ranking Member Chabot:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing titled "Oversight of the Small Business Administration and Department of Treasury Pandemic Programs." 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.

The bipartisan efforts in Title I of the CARES Act, including the creation of the Small Business Administration's (SBA) Paycheck Protection Program (PPP), have helped countless small businesses survive the lockdowns required by the current pandemic. The PPP, in particular, has been very successful and an important tool that credit unions have used to help their small business members, and we thank you for including credit unions as lenders in this program. Still, even with the success of the PPP, there remain some issues that we believe need to be addressed such as the simplification of the loan forgiveness process.

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.

An analysis of SBA's PPP data shows that credit unions have been making PPP loans in amounts much lower than the national average, with the credit union average PPP loan just over \$50,000. As such, NAFCU is supportive of a simplified loan forgiveness process for PPP loans under a \$150,000 threshold, such as proposed in S. 4117, the *Paycheck Protection Small Business Forgiveness Act*. This bipartisan Senate proposal would simplify the loan forgiveness process for loans under \$150,000 to a one-page form. Loans under \$150,000 account for 86.5 percent of PPP

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recipients but only account for approximately 27 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. NAFCU would urge Congress and the SBA to improve the forgiveness process by considering automatic loan forgiveness for loans below a \$150,000 threshold.

Additionally, when it comes to forgiveness, it is important that the SBA and Treasury Department publish a comprehensive procedural notice of how lenders can upload and submit their loan forgiveness applications. The SBA and Treasury need to publish this as soon as possible, as members are beginning to submit their applications. Guidance on the appeal and denial process would also be helpful. The regulations provide the general framework but leave a lot of questions unanswered because the SBA expects to publish a separate rule regarding this. However, as credit unions gear up for reviewing and approving forgiveness applications, they need to know what to do in the case of a denial or an appeal made by a member. We hope the Committee will address these issues at tomorrow's hearing.

As the Committee evaluates the implementation of pandemic lending programs, we strongly urge you to consider the concerns of the nation's credit unions and the 120 million Americans they serve that we have outlined in this letter. During times of economic crisis, credit unions always focus on their members and doing all that they can to help. We thank you for the opportunity to share our members' concerns in advance of this hearing.

Should you have any questions or require any additional information, please contact me or Lewis Plush, NAFCU's Associate Director of Legislative Affairs, at 703-258-4981.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Small Business Committee