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

March 9, 2021

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

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

**Re: Tomorrow's Hearing, "The Next Steps for the Paycheck Protection Program"**

Dear Chairwoman Velázquez and Ranking Member Luetkemeyer:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "The Next Steps for the Paycheck Protection Program." As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 123 million consumers with personal and small business financial service products. We thank you for providing credit unions with important tools, such as the Paycheck Protection Program (PPP), to help their small business members during this pandemic. We would like to take this opportunity to share how credit unions have been able to help their communities through the PPP, as well as our recommendations to ensure maximum efficacy of the program in what we hope is the homestretch of this pandemic.

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 first two rounds of the 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 the Small Business Administration's (SBA) PPP data from the first two rounds 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.

We were pleased to see that Congress passed the *Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act* (Economic Aid Act) as part of the year-end stimulus package. The Economic Aid Act contained important support for our nation's small businesses, including authorization of a second PPP loan for the hardest-hit small businesses, simplifying loan forgiveness for PPP loans under the \$150,000 threshold, and repealing the deduction of Economic Injury Disaster Loan (EIDL) advances from the PPP loan forgiveness amount. However, we have heard from many of our members that the loan forgiveness process is still in need of administrative simplification and there has been an inconsistency in the length of time SBA is taking to administer

forgiveness. We request the Committee implore the SBA to provide quicker loan forgiveness reviews and more proactive and transparent information for lenders.

Additionally, as we [wrote](#) to you last week with a coalition of other financial services trade organizations, we ask that you urge the SBA to make every effort to clear the thousands of loan holds currently in the PPP. Moreover, to ensure that small businesses have full access to the PPP through the March 31, 2021 deadline, we ask that any PPP loan applications submitted by the deadline be eligible for subsequent SBA approval even if they are held up by loan holds or process delays. While we appreciate that the SBA has implemented a system of automated checks on all applications to minimize waste, fraud, and abuse of funds, this check slows the approval process and certain hold codes require SBA review to be resolved. We are concerned that many loans with a hold code or submitted later this month will remain outstanding through the March 31, 2021 deadline, locking out eligible small businesses.

Our credit unions report that while demand for PPP loans is lower than a year ago, there is still significant demand and small businesses are still very much in need of this emergency capital. If there is an appetite in Congress for a further extension of the PPP, we ask that you enact the extension before the current program expires. Stopping and re-starting the program would result in inefficiencies and administrative headaches that would increase costs for credit unions to administer the program, as well as create unnecessary challenges for small business borrowers.

Furthermore, as the Committee is aware, the SBA issued an Interim Final Rule (IFR) on March 3, 2021 that implements a revised PPP loan calculation formula for Schedule C filers, including sole proprietors, independent contractors, and self-employed individuals. The revised formula allows these small businesses to calculate their loan amount based on gross income rather than net profit, allowing them to qualify for larger loans. As you also know, the SBA has limited this application to new applicants, preventing existing borrowers from benefitting from the changes. We ask that you urge the SBA to make the IFR retroactive so all Schedule C filers, who are truly the smallest of small businesses, can benefit from the policy change.

Finally, the economic impact of COVID-19 and the credit needs of small businesses will be with us beyond the short-term bridge provided by the PPP. While increasing the scope of other SBA programs will help with the recovery, we need to ensure that small businesses have access to as many potential sources of capital as possible. With that in mind, we believe that Congress should consider legislation to exclude credit union member business loans made in response to COVID-19 relief from the credit union member business lending (MBL) cap, such as H.R. 1471, the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2021*, introduced last week by Representatives Brad Sherman (D-CA) and Brian Fitzpatrick (R-PA). This proposal had bipartisan support in the House last Congress in the form of H.R. 6789, the *Access to Credit for Small Businesses Impacted by the COVID-19 Crisis Act of 2020*, and similar legislation was also introduced in the Senate. On April 16, 2020, a bipartisan group of 65 representatives wrote to House leadership to urge this issue be included in future pandemic relief. Moreover, National Credit Union Administration (NCUA) Board Chairman Todd Harper and Board Member Rodney Hood have voiced their support for MBL cap relief as a step to make it easier for credit unions to do more to help small businesses in light of the pandemic.

The Honorable Nydia Velázquez, The Honorable Blaine Luetkemeyer

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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.

Sincerely,

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

Brad Thaler

Vice President of Legislative Affairs

cc: Members of the U.S. House Small Business Committee