NAFCU
3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org
National Association of Federally-Insured Credit Unions

February 24, 2021

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20515

The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20515

Re: Tomorrow's Hearing, "The Coronavirus Crisis: Next Steps for Rebuilding Main Street"

Dear Chairman Brown and Ranking Member Toomey:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of tomorrow's hearing, "The Coronavirus Crisis: Next Steps for Rebuilding Main Street." 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. This pandemic has been devastating for many of our nation's small businesses, and we thank you for holding a hearing on the important topic of how we best help them to rebuild. Credit unions have played an outsized role in helping their communities, especially Main Street small businesses, make it through this crisis. We thank you for providing credit unions with important tools to help their members in previous relief packages. Still, as you are aware, more needs to be done to help our nation recover. We would like to take this opportunity to provide input on how credit unions are continuing to address the pandemic and share areas where further help is needed.

Credit unions have been on the frontlines working with their members during these times of economic uncertainty. Credit unions have voluntarily implemented programs to protect their members' financial health, including their small business members, such as skipping payments without penalty, waiving fees, low or no-interest loans, loan modifications and no interest accruals. The relief provided by Congress thus far has been helpful in these efforts; however, more must be done to ensure credit unions have the necessary tools to continue to support their members through this crisis.

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 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 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.

We all know that 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. With that in mind, we need to ensure that small businesses have access to as many potential sources of capital as possible. 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. 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*, which was introduced in the Senate as S. 3676 by Senator Ron Wyden (D-OR). 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.

NAFCU also supports extending provisions to make SBA loan programs more appealing, which helps credit unions continue to serve their small business members through the recovery ahead. For example, the year-end stimulus package increased the loan guarantee on SBA 7(a) loans to 90 percent, waived administrative fees for the 7(a) loan program, and eliminated fees for the 504 loan program, all effective until September 30, 2021. The guaranteed portion of government-backed loans is exempt from the MBL cap; hence these changes free up additional capital for credit unions to serve small businesses.

Furthermore, in order to give Main Street small businesses the best shot at a full recovery, we ask that you consider legislation to provide credit unions with relief from the outdated 15-year general maturity limit found in the *Federal Credit Union Act* (FCU Act) for most credit union loans. Credit unions frequently hear from small businesses that a 20-year loan would be preferable in terms of a lower monthly payment, but because of the 15-year maturity limit, small businesses often turn to banks in order to get those loans. However, with credit likely to be constrained for the foreseeable future, these loans will be harder to get. We ask that you give credit unions this flexibility so they can work with their members and provide them with the funds they need as we face the recovery ahead. Legislation from last Congress in the House (H.R. 1661) and Senate (S. 3389) would address this issue and has demonstrated bipartisan support.

Finally, Credit unions want to be able to help more Main Street small businesses, especially those that are in underserved areas. Credit unions stand ready to help with financial literacy education and access to loans and other financial products, but many are 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. Congress should amend the FCU Act to allow all credit unions to add underserved areas to their fields of membership. This is one way to help those who need it most have access to capital at no cost to the federal government. For example, many credit unions are limited on who they can serve with the PPP. Small businesses in rural and underserved areas may have limited access to lenders. Allowing all credit unions to add underserved areas will open the door to more lenders being able to help those in rural and underserved markets. This request has bipartisan NCUA Board support and has had bipartisan support in past Congresses.

Next, we would like to take this opportunity to share additional areas that we believe should be addressed by Congress and the Administration in future relief efforts. We outlined these areas in detail in a letter to Congress on January 21, 2021. For your reference, these additional asks are summarized below:

- *Capital and Prompt Corrective Action Flexibility:* Provide temporary capital flexibility for the NCUA and credit unions, such as a reduction in the level at which credit unions are considered well capitalized and adequately capitalized on par with relief provided to community banks by section 4012 of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act).
- *Credit Union Investment Authorities:* Authorize additional investment authorities for federal credit unions similar to what is allowed for some state-chartered credit unions so they can better manage the influx of deposits during the pandemic and earn a better return, allowing them to provide more products and services to their members.
- *Modernize the E-SIGN Act:* Modernize provisions in the *Electronic Signatures in Global and National Commerce Act* (E-SIGN Act) to help credit unions better meet the needs of members, while respecting social distancing requirements. We urge you to consider legislation such as S. 4159, the *E-SIGN Modernization Act of 2020*, that was introduced last Congress.
- *Limit Liability for Essential Businesses:* Ensure that there is a liability shield for businesses that follow the law, protect their employees, and serve as "good actors" to the public by providing important services, so that these businesses are not targets of demand letters and lawsuits because of it.

Additionally, we urge you to help credit unions and their members by extending and expanding several key provisions from past relief efforts:

- *NCUA's Central Liquidity Facility (CLF):* Make permanent the changes to the CLF in section 4016 of the CARES Act that were subsequently extended through the end of 2021 by the year-end COVID-19 stimulus package.
- *Deposit Insurance:* Provide the NCUA with the same powers as the FDIC under section 4008 of the CARES Act, extending their ability to establish a maximum guarantee to all shares or deposits held in a federally-insured credit union.
- *Current Expected Credit Loss (CECL):* Exempt credit unions from the CECL standard, or further delay implementation to provide additional clarity and relief for credit unions.

Finally, as we also outlined in our letter on January 21, 2021, we would like to raise concerns with some provisions that have been put forth that, although well-meaning, may have unintended consequences and could place new hardships on credit unions, hampering their ability to help members get access to credit. These problematic provisions include legislatively mandated blanket loan forbearance, overbroad restrictions on first party debt collection, the elimination of courtesy pay programs, major changes to bankruptcy provisions, and blanket suppression of adverse information in credit reports. Enacting provisions now that harm community financial institutions could further exacerbate the current health and economic crisis.

We thank you for your leadership in continuing efforts at pandemic relief and appreciate the opportunity to share our thoughts. We look forward to continuing to work with you on pandemic relief and economic recovery. 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

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the U.S. Senate Committee on Banking, Housing and Urban Affairs