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National Association of Federally-Insured Credit Unions

May 16, 2017

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

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

Re: Tomorrow's Hearing to Review the SBA's 7(a) Loan Program

Dear Chairman Chabot and Ranking Member Velázquez:

On behalf of the National Association of Federally-Insured Credit Unions, the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write in conjunction with tomorrow's hearing to review the Small Business Administration's (SBA) 7(a) loan program. NAFCU and our members appreciate the opportunity to share with you the importance of the 7(a) loan program to credit unions and look forward to working with you to find ways to encourage more credit unions to get involved.

Our nation's small businesses represent 99.7 percent of all employer firms, employ nearly half of all private sector employees, pay more than 40 percent of total U.S. private sector payroll, and have generated over 60 percent of net new jobs annually over the last decade. It is inarguable that the strength of the economy directly correlates to the health and well-being of America's small businesses. Many small business owners are members of credit unions and rely on their services to help their businesses succeed. Any additional avenue for credit unions to help small businesses is beneficial to their members and to the communities they serve. SBA's 7(a) loan program has enabled credit unions to help entrepreneurs who would otherwise be unable to find funding.

As NAFCU testified to the Committee earlier this year, one way that Congress could help improve the 7(a) lending program would be to reintroduce the *Credit Union Small Business Lending Act*, which was first introduced by Ranking Member Nydia Velázquez in the 110th Congress. The bill would amend the *Federal Credit Union Act* to exclude any SBA loan (guaranteed and non-guaranteed portions) from the meaning of "member business loan" of a credit union. These loans would thereby be exempted from the arbitrary credit union member business lending cap. The number of federally-insured credit unions participating in SBA programs has been steadily increasing since the SBA opened up its programs to more credit unions in 2003, and enacting legislation such as the *Credit Union Small Business Lending Act* will help this trend continue.

Additionally, issuing, improving, and adhering to guidance or published "best practices" would go a long way in helping credit unions get more involved in SBA lending programs. Compliance with any regulation requires diligence, but clear guidance is necessary for a credit union to know they are doing what is required of them. NAFCU members have reported that requests for clarification do not always result in a definitive answer. Many times, SBA's response is merely a screenshot of the page of the standard operating procedure (SOP) in question. Furthermore, when loans are submitted through General Processing, some of SBA's processors deviate from SOP requirements. Shortening the length of time it takes to have a loan approved, which can take 8 weeks or longer, as well as something as simple as improving the user friendliness of the "SBA One" software, are other ways to encourage credit unions to offer SBA products.

If Congress and the SBA were to make it easier for credit unions to participate in these programs, small businesses throughout the nation would have greater access to capital at a time when it is greatly needed. We urge Congress and the SBA to take the necessary steps to enhance credit union participation in the 7(a) program.

Thank you for holding this important hearing. We look forward to continuing to work with you on this and other issues of importance to credit unions. If my colleagues or I can be of assistance to you, or if you have any questions, please feel free to contact me or NAFCU's Senior Associate Director of Legislative Affairs, Chad Adams, at (703) 842-2265 or cadams@nafcu.org.

Sincerely

A handwritten signature in black ink, appearing to read 'Brad Thaler', with a long horizontal flourish extending to the right.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Committee on Small Business