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The Honorable Pat Toomey
Ranking Member
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Senator Toomey,

On behalf of America's credit unions, I am writing regarding your initiative to solicit legislative proposals to increase economic growth and job creation by facilitating capital formation.

Since the beginning of the pandemic, credit unions have been working to ensure they remain in a position to serve their members during and after the crisis. Credit unions flexed their people-helping-people muscle to support their members through the financial challenges presented by the current economic disruption.

We urge Congress to take legislative action to ensure that credit unions remain in a position to serve their more than 120 million members including:

Providing Temporary Flexibility to NCUA to Offer Forbearance from Prompt Corrective Action Requirements

Credit union capital requirements are different than bank requirements in several respects, including that only retained earnings count as Tier I capital for credit unions and thresholds for credit union capital levels are hardwired into statute. These limitations restrict NCUA in its ability to provide accommodations to otherwise healthy credit unions impacted by natural disaster, pandemic and other crises.

As you formulate legislation, we encourage you to include language that provides temporary flexibility to NCUA to offer forbearance from Prompt Corrective Action (PCA) for credit unions impacted by the pandemic and which were otherwise healthy prior to the onset of the crisis. While credit unions entered the crisis extremely well-capitalized, the impact of the ensuing economic crisis has and will put stress on capital and, given credit unions' limited ability to raise capital, the regulator could use additional tools.

Exempting Member Business Loans During and for One Year After the National Emergency

As the COVID-19 pandemic persists, small businesses across the country will continue to need capital and credit unions are in the position to pump billions into the economy—at no cost to the government. However, an obstacle impedes credit unions from fully assisting these Main Street businesses: the arbitrary credit union Member Business Lending (MBL) cap which limits some credit union lending activity to 12.25% of assets.

Given the financial needs of so many small businesses, now is the time to provide credit unions with additional flexibility to serve their business members by lifting the cap.

While credit union business lending has increased greatly since the Great Recession, many credit unions are now approaching the 12.25% of asset cap. We conservatively estimate that even temporarily removing the MBL cap will provide over \$5.5 billion in capital to small and informal business ventures, creating nearly 50,000 jobs just over the course of the next year¹.

Additional credit union lending will not impede bank lending activity. Small Business Administration (SBA) research shows that growth in credit unions' small business lending is apparent in many respects, but a majority of credit union business lending is for loans that banks will not originate. This means a majority of credit union lending does not replace lending that would otherwise be done by banks—it is lending that otherwise would not occur². SBA research specifically shows that roughly 80% of credit union business loans are loans that banks would not make.

Small businesses and communities around the country are suffering and need access to relief. Lifting the MBL cap would not only provide small businesses with the assistance they need immediately, but also stimulate the economy in the long term. As such, we urge the inclusion of a provision to lift the credit union MBL cap.

Expanding Access to Lending Options

Except for mortgage lending, federally-chartered credit unions are prohibited by statute from making loans with maturity limits in excess of 15 years. Only Oklahoma has a similar restriction on state-chartered credit unions and no such constraint exists for banks.

Senators Scott and Cortez Masto recently introduced the “Expanding Access to Lending Options Act.” This bill amends the Federal Credit Union Act to provide the NCUA with additional flexibility to increase loan maturity limits for federal credit unions. NCUA would have authority to increase maturity limits to 20 years. In addition, the NCUA would have authority to increase maturity limits of 1-4 non-owner-occupied loans to 30 years.

One area that this change may impact is student lending. The ability to set a longer loan maturity for federal credit union loans would provide student borrowers across the country with more opportunities for education that is more affordable both in the short and long term. Credit unions would also be able to better service loans for the agricultural sector and other businesses requiring significant cost of entry.

Expanding Credit Union Field of Membership

One of the most important things that Congress could do to promote financial inclusion and ensure that access to financial services is equitable, would be to ensure that federal law permits all federal credit unions to serve underserved areas. Under current law, only multiple common bond credit unions are eligible to add underserved areas to their field of membership. To ensure equitable economic recovery

¹ CUNA estimate assumptions: 1. Grandfathered CUs, Non-Federally Insured and/or Low-Income designated do not increase lending; 2. Non-Commercial lenders lend in amount equal to 1% of assets on average under the new authority; 3. All other Commercial CUs lend in amount equal to 60% of their current use rate; 4. Estimates produced using assumptions 1-3 are further adjusted as follows: * CUs with net worth/assets <=6% are assumed to have no Commercial Loan growth* CUs with net worth/assets between 6% and 7% remain at the current 12.25% cap. * CUs with Comm Lns/assets >= 10% are limited to a 30% increase in Commercial Loans in the 1st year. 5. First year increases: baseline estimate = 50% of new use rate; adjusted/conservative estimate = 40% of new use rate. 6. Employment increase is based on Council of Economic Advisors 5/09 ARRA job creation estimates (\$92,000 in spending creates 1 job / \$109,633 in 2019 dollars).

² Wilcox, James A., The Increasing Importance of Credit Unions in Small Business Lending. Small Business Administration Office of Advocacy (2011).

from the pandemic and that all have access to affordable financial services, then the policy should not restrict a subset of member-owned, not-for-profit financial institutions from providing service to these communities. The law ought to facilitate credit unions' inviting people in, not keeping people out. Now is the time to ask Congress to remove field of membership restrictions.

Thank you for the opportunity to share our ideas on how credit unions can help increase economic growth and job creation. We look forward to continuing to partner with you on the road to recovery ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large initial "J" and "N".

Jim Nussle
President & CEO