



**America's
Credit Unions**

January 18, 2024

The Honorable Roger Williams
Chairman
Committee on Small Business
United States House of Representatives
Washington, DC 20515

The Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, DC 20515

RE: Today's Hearing: "Unleashing Main Street's Potential: Examining Avenues to Capital Access"

Dear Chairman Williams and Ranking Member Velázquez:

On behalf of America's Credit Unions, I am writing regarding the Committee's hearing entitled, "Unleashing Main Street's Potential: Examining Avenues to Capital Access." America's Credit Unions represents the country's 4,800 credit unions and their 140 million members. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their nearly 140 million members nationwide.

Credit unions recognize that access to capital for entrepreneurs is critical to ensuring the growth and development of vibrant small businesses. As not-for-profit, consumer-owned financial cooperatives, credit unions have a focus on meeting the needs of their members, including small business owners. This was widely demonstrated by the leadership of credit unions in providing Paycheck Protection Program (PPP) loans to Main Street small businesses when many other lenders turned them away. Establishing and retaining a relationship with a credit union remains the best way for a small business entrepreneur to partner with a provider of essential financial services.

America's Credit Unions shares the Committee's goal of empowering entrepreneurs and strengthening small businesses in America. Credit unions continue to provide a higher percentage of business loans under \$150,000 than other lenders. As a result of the close relationships credit unions maintain with their members, credit unions are often willing to assist members when other lenders refuse. America's Credit Unions recognizes the need for smaller loans for small businesses, and that is why we support bipartisan legislation to provide relief from the credit union member business lending (MBL) cap as a way to increase capital access for small businesses. As the Committee looks for ways to increase capital access for small businesses, we urge you to support legislation such as:

H.R. 4868, the Member Business Loan Expansion Act

This legislation would make it easier for credit unions to offer smaller business loans under \$100,000 by ensuring these loans do not count toward the arbitrary credit union MBL cap. By raising the definition of an MBL to exclude net aggregate loans less than \$100,000, we would

quickly see increased loan availability, reduced burdens on borrowers, and it would make it easier for credit unions to make these loans. This would benefit the communities credit unions serve as well as the U.S. economy as a whole. It would also help to meet an unmet need.

H.R. 4867, the Veterans Members Business Loan Act

Credit unions are an important resource for our nation's veterans in their small business and entrepreneurial endeavors. Service members develop broad expertise across many disciplines while in the military, learning skills that can provide tremendous value to the economy. After great personal sacrifice, these Americans deserve every opportunity for success in their transition back to civilian life. America's Credit Unions supports H.R. 4867, the Veterans Members Business Loan Act, which would exempt loans made to veterans from the MBL cap. This bill would improve veterans' access to necessary capital by removing statutory barriers that hinder credit unions' ability to meet the financial needs of our nation's veterans. As a result of the close relationships credit unions maintain with their members, credit unions are often willing to assist members when other lenders refuse. Unfortunately, credit unions face a statutory MBL cap that hinders their ability to fully serve the needs of small businesses. Enacting this legislation will help ensure that credit unions can continue supporting veteran-owned businesses.

Additionally, to ensure that credit unions can continue to remain a positive source of capital access for small businesses, we urge the Committee to continue its strong oversight of the Small Business Administration (SBA). The SBA's government guaranteed lending programs epitomize a successful public-private partnership, and it is one that leverages private sector expertise. We believe that the SBA should not function as a direct lender, but instead continue to guarantee the repayment of loans made by a lender such as a credit union. The SBA's lending programs, such as the 7(a) Loan Program, allow small businesses to work with local lenders or other lenders of a business's choice throughout the loan process. This public-private partnership works as borrowers can obtain loans from financial institutions that they know well and that have vested interests in their borrowers' success. Furthermore, when working with local lenders, small businesses are likely to benefit from guidance and experience from a lender with a stake in helping the borrowing business succeed.

We are particularly concerned that recent rulemaking from the SBA to expand to the 7(a) program to fintechs and other lenders could damage this important convention of SBA 7(a) lending. With a greater reliance on fintech lenders, SBA lending programs will be at increased risk of fraud, credit losses, and reputational risk. This could have serious consequences for the long-term health of the SBA's flagship 7(a) program. Credit unions and other traditional lenders are placed at a competitive disadvantage under this new system. We urge the Committee to continue to exercise its authority in this area and to continue to work to try to find legislative solutions if necessary.

In conclusion, credit unions stand ready to help small businesses and create jobs. Providing relief such as this from the MBL cap does not take additional federal spending and is an easy way to free up more capital for Main Street America. Continued Committee oversight of the SBA is also

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needed. As the Committee considers approaches to help small business gain access to capital, we urge you to include credit unions as part of the solution.

On behalf of America's Credit Unions and the nearly 140 million credit union members, thank you for holding this important hearing and considering our views on the subject.

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 and CEO

cc: Members of the House Committee on Small Business