April 3, 2020

The Honorable Steven Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220

The Honorable Jovita Carranza  
Administrator  
U.S. Small Business Administration  
409 3rd Street, S.W.  
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

We, the undersigned State Credit Union Associations/Leagues (Leagues), which comprise the American Association of Credit Union Leagues (AACUL), and the Credit Union National Association (CUNA), thank you for your hard work and ongoing leadership during this crisis. State credit union leagues, AACUL, and CUNA represent credit unions across the nation and their 115 million members.

We have a shared goal of minimizing the shock to the economy and strengthening its resilience once economic restrictions are lifted. With this in mind, we write to express our initial concerns with the interim final rule for the Paycheck Protection Program (PPP) loans created by the recently enacted CARES Act.

As you know, credit unions’ participation is critical to the success of this Program. Small business lending, including but not limited to SBA 7(a) lending, is very important to what we do, built on relationships, local knowledge, and underwriting skills honed over generations. Our chief concern is that, as written, the PPP may be problematic.

Credit unions were encouraged that the PPP was included in the CARES Act. We were grateful for the opportunity to provide direct input into crafting the statutory parameters of PPP. We want nothing more than the opportunity to deploy desperately needed credit to help local businesses bridge the current crisis, sustain their employee base and meet their other financial obligations.

Chief among our concerns is the compressed timeline in which our members received the basic guidelines along with the interim final rule published just hours before the PPP loans go live. Furthermore, we have been told that there will be a lending platform to support the loan process but, to the best of our knowledge, our members have not had access to the
platform. These issues will not keep credit unions from offering PPP loans, but will only add to the challenges of operating a business that is an integral part of the nation’s critical infrastructure during these trying times.

Credit unions’ initial concerns with the interim final rule are outlined below along with our recommended changes.

**Loan terms are unreasonably short.** The interim final rule provides for two-year loans. This is an unreasonably short term and will create hardship for cash-starved small businesses. The CARES Act provides for loans of up to 10 years. This term was chosen deliberately to ease payment terms for struggling borrowers. Treasury and SBA should use authority given them by Congress to provide loan terms of 10 years or as close as possible to that term.

**Lender liability.** The interim final rule provides little guidance on critical aspects of the Program such as documentation required to determine eligibility, the process for submission and approval of the loans by SBA, the collection of servicing fees, and the determination of funds to be forgiven. Historically, collection of SBA guarantees has proved challenging and at times frustrating. This lack of guidance shifts too much liability to the lender and, despite the guarantee, creates too much process risk relative to the very limited interest rate.

**Borrowing by Credit Unions.** Under 13 C.F.R. §§ 120.110(a)-(b), credit unions cannot be 7(a) borrowers because they are a “non-profit business” and “primarily engage in the business of lending.” This is an unprecedented time and likewise, unprecedented program, and thus SBA should temporarily modify the rule to allow credit unions to borrow under the Paycheck Protection Program.

We hope that you will give all due consideration to these recommendations as equal and fair access for all credit unions will be critical to the success of the Program.

Sincerely,

Jim Nussle, President and CEO
Credit Union National Association

Daniel McCue, President and CEO
Alaska Credit Union League

Diana Dykstra, President and CEO
California & Nevada Credit Union Leagues

Dan Schline, President and CEO
Carolinas Credit Union League
Mark Cummins, President and CEO
Minnesota Credit Union Network

Tracie Kenyon, President and CEO
Montana’s Credit Unions

Charles Elliott, President and CEO
Mississippi Credit Union Association

J. Scott Sullivan, President and CEO
Nebraska Credit Union League & Affiliates

William Mellin, President and CEO
New York Credit Union Association

Paul Mercer, President and CEO
Ohio Credit Union League

Scott Simpson, President and CEO
Utah Credit Union Association

Rick Pillow, President and CEO
Virginia Credit Union League

Brett Thompson, President and CEO
Wisconsin Credit Union League

Paul Stull, President and CEO
Credit Union Association of New Mexico

Troy Stang, President and CEO
Northwest Credit Union Association

Fred Robinson, President and CEO
Tennessee Credit Union League

Joe Bergeron, President and CEO
Association of Vermont Credit Unions

Ken Watts, President and CEO
West Virginia Credit Union League