



**America's
Credit Unions**

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March 20, 2024

The Honorable Jeanne Shaheen
Chair
Committee on Small Business
& Entrepreneurship
United States Senate
Washington, DC 20510

The Honorable Joni Ernst
Ranking Member
Committee on Small Business
& Entrepreneurship
United States Senate
Washington, DC 20510

Re: Today's Hearing: "Oversight of the U.S. Small Business Administration and Review of the President's Fiscal Year 2025 Budget Proposal"

Dear Chair Shaheen and Ranking Member Ernst:

On behalf of America's Credit Unions, I am writing regarding the Committee's hearing entitled, "Oversight of the U.S. Small Business Administration and Review of the President's Fiscal Year 2025 Budget Proposal." 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 financial inclusion and access to capital for entrepreneurs are critical in ensuring the growth and development of vibrant small businesses. As not-for-profit, consumer-owned financial cooperatives, credit unions have a laser focus on our mission of financial inclusion and serving our members. Establishing and retaining a relationship with a credit union is the best way for a small business entrepreneur to partner with a provider of essential financial services.

In recent years, credit unions have worked to increase the number of SBA lending partners despite statutory limitations imposed on credit unions' ability to provide small businesses loans. Moreover, credit unions continue to focus on providing credit to our nation's small businesses, regardless of size. Over the past eight years, the percentage of small business loans made by credit unions has far outpaced other lenders.

America's Credit Unions recognizes the need for smaller loans for small businesses, and that is why we have supported legislation such as H.R. 4868, the Member Business Loan Expansion Act, which would make it easier for credit unions to offer loans under \$100,000 by ensuring these loans do not count toward the arbitrary credit union member business lending cap.

The SBA government guaranteed lending programs epitomizes a successful public-private partnership, and it is one that leverages private sector expertise. Generally, the SBA does not function as a direct lender, but guarantees 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

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businesses to work with local lenders or other lenders of a business's choice throughout the loan process. The SBA guarantees these loans ensuring that financial institutions are made whole in an instance of default by the borrower.

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. Direct lending by the SBA would drive up program costs and disincentivize 7(a) authorization within financial institutions, draining the value of the public-private partnership. Further, by becoming a direct lender to small businesses, the SBA is likely to harm local financial institutions' relationships with small businesses and possibly hamper these businesses from establishing important banking relationships that can only help their business survive and flourish by meeting all of their financial service's needs.

On behalf of America's Credit Unions and their 140 million credit union members, thank you for the opportunity to share our views. We look forward to continuing to work with you to create an environment where small businesses can thrive.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Nussle". The signature is fluid and cursive, with a large loop at the end.

Jim Nussle, CUDE
President & CEO

cc: Members of the Committee on Small Business & Entrepreneurship