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June 4, 2013

The Honorable Sam Graves
Chairman
Committee on Small Business
United States House of Representatives
Washington, D.C. 20515

The Honorable Nydia M. Velazquez
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, D.C. 20515

RE: Promoting Efficiency at the SBA

Dear Chairman Graves and Ranking Member Velazquez:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, I write in conjunction with tomorrow's hearing entitled "Reducing Duplication and Promoting Efficiency at the SBA: The Inspector General's View." NAFCU applauds the committee's ongoing efforts in identifying opportunities for improvements and increased efficiency at the Small Business Administration (SBA).

NAFCU would first like to express our appreciation for the various actions that the SBA has taken over the past few years to streamline loan processing, including the establishment of an online processing system that it has made available for 80 percent of its programs. Our member credit unions have reported that the actions the SBA has taken to streamline the application process have generally been effective.

We also appreciate the SBA's recent proposals to address overly restrictive and complex provisions that govern both the 7(a) and 504 programs. The proposed actions, which include steps to make the SBA available for more small businesses, are good steps toward the goals of increasing access to capital for small business, providing clarity for lenders and borrowers, removing unnecessary obstacles, and achieving greater participation by credit unions. Still, there is room for more improvement. For example, some of our members have reported that 7(a) loans can sometimes take nearly a year to fund. The process can be quite time consuming and burdensome, even when partnered with a local Community Development Corporation. The multiple tiers within the SBA 7(a) program give larger lenders a competitive advantage in speed over community-based financial institutions. The difference in processing time between a Preferred Lending Program (PLP) lender and a non-PLP lender has grown to months, and effectively acts as a barrier to a new lender entering the SBA marketplace. Thus, the SBA should take action to address processing and other issues that non-PLP lenders are encountering.

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NAFCU also encourages the SBA to take additional actions to facilitate credit union SBA lending, particularly in the 7(a) program. As we recommended to the SBA recently, we strongly believe the SBA should revise its policies to provide lenders certification of the guarantee of a loan. In addition to the cost of administering a SBA lending program and the rigidity of some of the rules, many potential credit union SBA lenders are discouraged from engaging in SBA lending because of the lack of certainty relative to the SBA guarantee. Currently, a lender is not provided certification of the guarantee after the loan has been consummated. This inaction has served to discourage entry into the SBA market.

Lastly, and very importantly, NAFCU strongly urges the Committee to support an increase of the arbitrary credit union member business lending cap, which currently stands at 12.25 percent of a credit union's total assets. Of note, the government guaranteed portions of SBA loans do not count toward the member business lending cap, but the non-guaranteed portions do. This could ultimately lead to a situation where a credit union may be an excellent, or even preferred, SBA lender and ultimately has to scale back participation in SBA programs as they approach the arbitrary cap. This would likely hit SBA Express or Patriot Express loans first, as those have lower guarantees and thus may have a bigger impact on money available below the cap. As you may know, Patriot Express loans help give our nation's veterans more opportunities after they return from serving our country. Simply put, the member business lending cap can deter the availability of those opportunities.

We thank you for your attention to this matter. If my colleagues or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact me or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,



Fred R. Becker, Jr.
President and CEO

cc: Members of the House Committee on Small Business