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National Association of Federally-Insured Credit Unions

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June 4, 2021

Mr. Jeffrey Stout
Director
Office of Federal Program Finance
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

RE: State Small Business Credit Initiative

Dear Mr. Stout:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU) and Inclusiv, we write in response to the Department of the Treasury's (Treasury) notice and request for information regarding the State Small Business Credit Initiative (SSBCI). We appreciate the additional allocation to support business enterprises owned and controlled by socially and economically disadvantaged individuals. NAFCU and Inclusiv represent credit unions that are community development financial institution (CDFI) certified, low income designated, and minority deposit institution (MDI) certified.

We appreciate Treasury's commitment to enhancing the supply of capital to small businesses, especially as the nation's smallest businesses continue to grapple with the economic repercussions of the COVID-19 pandemic.

At the same time, while our organizations are supportive of inclusion of the SSBCI program as part of the overall *American Rescue Plan Act of 2021* (ARPA), we have concerns about the wide latitude the statue affords to states in the development and execution of this important program. In certain states, a very real possibility exists that low-income communities and the capital needs of businesses owned by people of color will not be prioritized.

Likewise, while robust partnership with CDFIs may mitigate this concern, states may similarly not consult or engage CDFIs or MDIs in the design and implementation of the program. Such action would result in the exclusion of disadvantaged businesses and our recommendations are made in the spirit of mitigating this risk.

MDI and CDFI certified credit unions play an integral role in providing capital to small businesses. As demonstrated by the active participation of CDFI lenders -including banks and credit unions- in the Paycheck Protection Program, we believe that their involvement in any state-level credit support programs, including capital access programs, loan guarantee programs, loan participation programs and collateral support programs, is critical if the aim is to direct resources to financially underserved, minority communities and populations. CDFI lenders serve these communities as they are their primary target markets and they are also better set up to serve non-traditional borrowers.

Section 3301 of the ARPA reauthorized the SSBCI program, which provides capital and technical assistance programs in response to the COVID-19 pandemic. Congress appropriated $10 billion towards the SSBCI program. At the outset, Treasury must provide timely application materials and initial policy guidelines to minimize any delay in participants setting up their respective programs. Although previously funded from 2011-2017, there may be new entrants and the program differs somewhat from previous, thus it is imperative to have final policy guidelines in place as early as possible. Moreover, this ensures that states and applicants do not inadvertently misuse funds.

In addition, Treasury should provide clarity on how SSBCI funds can be used. Specifically, the SSBCI program allows funds for technical assistance, including financial advisory, legal, or accounting services, which applicants can obtain through either a state program or directly from Treasury. Technical assistance can greatly enhance utility of the SSBCI program. We ask that Treasury provide detailed instructions on how to apply for technical assistance, as applicants may use the funds for state SSBCI programs and other programs that support small businesses. In addition, Treasury should further define the uses for technical assistance and provide examples of other federal programs that support small businesses.

As referenced above, we have concerns that the SSBCI will not be administered equitably across states, as some states may have requirements over and above the statutory requirements, and states have different application requirements. Meaningful engagement with the CDFI / MDI sector across <u>all</u> states will serve as an effective impediment to such an unfortunate outcome. To this end, we recommend the following:

- States should be required or strongly incentivized to work with CDFIs and MDIS with long records of serving very small businesses and economically distressed communities in the development and implementation of the SSBCI.
- Through written guidance provided by the Treasury to states administering the SSBCI, highlight the unique capabilities of CDFIs / MDIs in meeting the statutory requirements of the program to meet the needs of disadvantaged businesses as lenders or administrators of the funds.
- Require robust data collection by all SSBCI lenders and public reporting on loans made by geography at the county level, including whether or not the county is a non-metro county or a county in which the majority of the population is represented by people of color.

Finally, as the pandemic and its effects subside, the economic needs in communities served by CDFIs and MDIs will remain. Any dollars deployed by CDFIs through the SSBCI that are repaid, should be allowed to stay with the institutions in exchange for a future commitment to deploy the dollars in economically distressed communities or to disadvantaged small businesses

We appreciate the opportunity to share our members' views on this matter. The SSBIC program will provide meaningful capital to small businesses, and we appreciate that all insured credit unions have the ability to utilize the SSBCI program. We encourage Treasury to provide additional guidance, FAQs, or training that can help CDFI and MDI credit unions prepare for and find opportunities within the SSBCI program. Also, we encourage Treasury to work with the National Credit Union Administration (NCUA) in helping raise awareness of the program. NAFCU and Inclusiv are happy to assist Treasury in engaging with the CDFI and MDI industry.

Sincerely,

Cathie Mahon
President and CEO
Inclusiv

Kaley Schafer
Senior Regulatory Affairs Counsel
NAFCU