



**WRITTEN TESTIMONY**  
**HEARING: "PROMOTING INCLUSIVE LENDING DURING THE PANDEMIC:  
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS AND MINORITY  
DEPOSITORY INSTITUTIONS"**  
**COMMITTEE ON FINANCIAL SERVICES,  
UNITED STATES HOUSE OF REPRESENTATIVES**

June 3, 2020

Dear Chairwoman Waters,

The US is experiencing an unprecedented public health crisis with the COVID-19 pandemic and an economic crisis that will have an even bigger negative impact on low-income communities for months if not years to come.

CDFI and MDI credit unions are critical during this crisis; maintaining branch operations, ensuring people have access to their funds, helping consumers access those funds remotely and safely, providing forbearance on loans and offering emergency relief and assistance to help members in their community. There are 308 CDFI certified CUs serving 12 million consumers with \$101B in total loans outstanding, with a business loan portfolio of over \$11B. Of these 74 are SBA lenders and 75 are MDIs. These institutions that work directly with individuals, households and businesses are in many cases serving as the sole source of liquidity as well as centers of information and guidance to ensure that communities are accessing the supports intended for them.

Inclusiv is a national network representing over 300 community development credit unions (CDCUs) that serve 12 million people in the low-income communities and communities of color that are most severely impacted by this economic downturn. As the leading national expert for credit unions on community development and financial inclusion in diverse communities, Inclusiv is committed to facilitating the resources necessary to help credit unions serve people who need them now more than ever.

The CARES Act provided for liquidity to get to small businesses and workers through the paycheck protection program and stimulus cash payments. But more is needed to help ensure that communities can restart and rebuild equitably.

- **CDFI Emergency Stimulus Investment in CDFIs:** Inclusiv and its network urge Congress to approve an emergency stimulus appropriation of at least \$1 billion to enable CDFIs to maintain operations and continue to inject capital into low and moderate-income communities. At the forefront of addressing the financial and economic ramifications of COVID-19, CDFIs require additional capital to grow and deploy funds for small businesses and households. Enabling



CDFIs to continue to respond to this crisis is critical to their communities and to their own long-term financial sustainability.

- **Increase SBA Paycheck Protection Program and Direct Targeted Funds through CDFIs, MDIs and Credit Unions:** Inclusiv supports the call for an additional \$250 billion in assistance to small businesses, with \$125 billion channeled through community-based financial institutions that serve farmers, family, women, minority and veteran-owned small businesses and nonprofits in rural, tribal, suburban and urban communities across our country, and improvements to ensure all eligible small businesses can access this critical funding and are not turned away by banks. Among these improvements, we suggest:
  - **Rapid Enrollment and onboarding of more Credit Unions in SBA e-Tran system:** Large banks with their own pipeline are originating the vast majority of PPP loans. These funds are being prioritized for their own borrowers and customers, which tend to be better capitalized businesses. Despite SBA's efforts to increase the pool of lenders by expanding participation eligibility to all federally insured financial institutions, the certification process has been challenging. Most credit unions currently participating were already SBA lenders (YE2019 data shows only 438 credit unions reporting outstanding loans with SBA guarantees). Those CUs that have been able to get started are originating loans at higher levels than their assets might suggest, punching well above their weight. But they account for a small percentage of the possible pool of credit union lenders that could be originating loans through this program. SBA must accelerate approval and onboarding of all eligible lenders onto the e-Tran platform and provide substantive guidance and support to ensure that loans are properly submitted and businesses receive the guarantees and forgiveness allowed under the program.
- **Increase efforts to engage unbanked consumers through the stimulus payments:** The IRS has begun the process of distributing stimulus payments. It has never been more important to have a banking account, particularly to ensure stimulus payments come quickly, safely, and free. Millions of consumers still don't have access to a safe and affordable credit union account for managing your money remotely, including to receive wages and government benefits securely through direct deposit and to make payments remotely. This is a unique opportunity for our industry to engage this segment of our communities through targeted outreach and collaboration with community partners and local governments.

Inclusiv and our member credit unions ask that you act now to ensure that the communities being hardest hit by the COVID-19 crisis receive the resources they need in order to weather this period. Community development financial institutions are deeply embedded in the communities they serve and have proven to be efficient and effective at identifying their customers' needs and deploying capital out in the community. By expanding the SBA Paycheck Protection Program and directing targeted funds through CDFIs, MDIs and credit unions, making an emergency stimulus investment in CDFIs, and



increasing efforts to engage unbanked consumers through the stimulus payments, Congress can build the foundation for affected communities to emerge from this crisis stronger and more resilient than ever before.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen A. Mahon".

Cathleen A. Mahon,

President & CEO