

July 21, 2020

The Honorable Mitch McConnell  
Majority Leader  
S-230, U.S. Capitol  
Washington, DC 20510

The Honorable Chuck Schumer  
Minority Leader  
S-221, U.S. Capitol  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker of the House  
H-232, U.S. Capitol  
Washington DC 20515

The Honorable Kevin McCarthy  
Minority Leader  
H-204, U.S. Capitol  
Washington, DC 20515

Dear Leader McConnell, Leader Schumer, Speaker Pelosi and Leader McCarthy:

The National Cooperative Business Association CLUSA International extends its gratitude for the bipartisan work in Congress to help small businesses weather the initial impacts of COVID-19. NCBA CLUSA is the apex trade association representing the more than 65,000 cooperative businesses across all sectors of the economy. One in three Americans is a member-owner of at least one cooperative business in sectors such as farming, utilities, financial services, childcare, manufacturing and food. Collectively, cooperatives generate an estimated \$650 billion in revenue and \$75 billion in wages. We appreciate Congress's efforts to treat cooperatives equally under the federal programs, particularly those established in the CARES Act.

Unfortunately, it is clear that we have a long road ahead of us to continue to combat the coronavirus and for the nation's businesses to recover. NCBA CLUSA believes that several reforms and investments should be considered to ensure that cooperatives and other small businesses not only survive the crisis but thrive in its aftermath.

**Paycheck Protection Program:**

- Simplify or make automatic loan forgiveness for PPP loans of \$350,000 or less – the preliminary support for businesses applying for forgiveness of small loans is appreciated, but not enough to ensure that small businesses can apply for forgiveness without the need to acquire assistance from accountants and/or attorneys. Congress should consider automatic or a certification of good faith by small businesses that the funds of loans \$350,000 or less were used on eligible expenses to be approved for forgiveness. This will ease the burden not only on small businesses, but also on the small financial institutions that administered these loans, especially credit unions and community development financial institutions.
- Clarify eligibility of housing cooperatives – months after the program's launch, uncertainty remains regarding the eligibility of housing cooperatives as eligible small business borrowers. Congress should clarify that housing cooperatives, which are owned, occupied, and actively managed by its member-owners, are eligible to participate in PPP. We appreciate that this provision is included in the House-passed HEROES Act.

### **Financing and capital access:**

- Cooperative access to Community Advantage program – the Community Advantage program is a critical financing tool for small businesses with maximum loan amounts of \$250,000 for start-up costs and working capital, among other eligible uses. SBA regulations indirectly prohibit cooperatives from participating in the program by requiring a personal guarantee. CA loans are secured by other collateral and a borrower’s ability to repay. Congress should waive the personal guarantee requirement on loan guarantees to cooperatives when other underwriting criteria to secure the investment of taxpayer dollars is met.
- Additional grants and forgivable loans for small businesses – While the Paycheck Protection Program and Economic Injury Disaster Loans and grants have been a lifeline to many small businesses, more assistance is needed, especially for very small businesses. NCBA CLUSA supports the bipartisan RESTART Act, S. 3814, introduced by Senators Michael F. Bennet and Todd Young. Under this bill, most small businesses and non-profits would be eligible for a loan intended to cover six months of payroll and fixed expenditures with the potential for loan forgiveness.
- Refinancing Rural Utilities Service loans – NCBA CLUSA supports the bipartisan Flexible Financing for Rural America Act to refinance historically low interest rates and waive prepayment penalties. This legislation could collectively save electric cooperatives \$42 billion, including about \$2 million per year in interest rate payment savings for the average electric co-op, according to the National Rural Electric Cooperative Association. These savings would provide electric co-ops with some much-needed financial relief as they households and businesses continue to struggle to pay utility bills due to job loss or reduced hours in response to COVID-19.

### **Technical Assistance**

- Fully fund the USDA Rural Cooperative Development Grant program – the RCDG grant program awards funding to development centers to support cooperatives in rural communities. Although the 2018 Farm Bill reauthorized this program at \$40 million, funding has remained stagnant for nearly a decade at \$5.8 million.
  - In a recent [report](#), the Western Governors Association stated that this level of appropriations was ‘is not sufficient to meet the needs of every state. Funding for cooperative development should be increased to support the growing use of cooperative models to meet a diverse array of community needs, including grocery stores, childcare, homecare, and housing.’”
- Establish a small business cooperative development program – while most businesses in non-rural areas can seek assistance from the SBA network of Small Business Development Centers, regulatory obstacles for cooperatives in SBA financing programs has resulted in a lack of technical assistance for people who want to use this business model at the SBDCs, that are appropriated more than \$260 million annually. New start-ups and conversions to cooperatives should have equal access to technical assistance through a new entrepreneurial development program.
- Grants made through the Federal Home Loan Bank system – Congress should consider leveraging the mission of the Federal Home Loan Bank to support cooperative business and housing development. Specifically, NCBA CLUSA supports Senator Catherine

Cortez Masto's legislation to establish a grant program for businesses transitioning ownership to cooperatives to retain jobs and businesses in rural, minority, and tribal communities, as well as for residents of manufactured housing to collectively purchase the land to form a resident-owned community.

On behalf of the cooperative business community, I again would like to extend sincere thanks for Congress's work thus far and your attention to these important matters. NCBA CLUSA looks forward to supporting your work going forward to accomplish these goals.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug O'Brien", with a long horizontal flourish extending to the right.

Doug O'Brien  
President and CEO  
National Cooperative Business Association  
CLUSA International