

**Follow-up Regarding Hearing on  
House Bill 2268 and House Bill 2282**

Date: February 18, 2021

To: Chairman Jim Kelly  
House Financial Institutions & Rural Development Committee

From: Stephanie Mullholland  
Heartland Credit Union Association

During yesterday's hearing on HB 2268 and HB 2282, the committee posed two questions that we had indicated we would follow-up on. Thank you for the opportunity to provide this additional information:

**1. What are the existing loan guarantee programs?**

The most recently established state program we are aware of is [Minnesota's Small Business Loan Guarantee program](#), which was created in 2020 to assist small business borrowers impacted by the pandemic. Some of the federal programs include:

- [Small Business Administration Loan Guarantee Programs](#)
- [U.S. Department of Agriculture \(USDA\) Rural Business Program](#)
- [USDA Single-Family Housing Loan Guarantee Program](#)
- [USDA Multi-Family Housing Loan Guarantee Program](#)

**2. What is the default rate on loan guarantee programs?**

As I mentioned in the hearing, the market data we have access to does not distinguish between traditional loans and loans that may have been part of a guarantee program, however, credit union asset quality rates are as follows:

- Loan delinquencies in 2020 - 0.61%
- Net charge-off rate in 2020 - 0.47%
- Projected loan delinquencies in 2021 – 0.80%
- Projected net charge-offs in 2021 - 0.60%

For context:

- For comparison purposes, the 5-year average delinquency rate is 0.74% and the 5-year average net charge-off rate is 0.53%.
- What's a delinquency rate? The delinquency rate refers to the percentage of loans that are past due 30 days or more.
- What's a charge-off? Charge-offs are the value of loans removed from the books and charged against loss reserves.