



CUNA

Credit Union National Association

cuna.org

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February 2, 2010

The Honorable Timothy F. Geithner
Secretary
U. S. Department of Treasury
1500 Pennsylvania Avenue, SE
Washington, DC 20003

Dear Secretary Geithner:

On behalf of the Credit Union National Association, I am writing to the President, you and others in the Administration on matters that are urgent to credit unions. Quite frankly, credit unions are stunned, outraged and confounded by your announcement today that \$30 billion will be made available to community banks to provide capital so they will lend to small businesses. CUNA represents about 90% of our nation's approximately 8,000 state and federal credit unions, which serve about 92 million members.

I want to be very clear that CUNA does not want to oppose this subsidy for the community banks out of hand. However, there is no good public policy reason why the Administration should choose to target banks for such favorable treatment and ignore credit unions and the many small businesses they serve or could serve if permitted to do so.

Credit unions throughout the country have continued to make business loans despite the economic crisis and want to do even more to help small businesses in their communities. These loans are made very prudently by credit unions, which have low loan loss rates, compared to banks.

Since the beginning of this Administration, we have been urging support for increased member business lending authority for credit unions. Unlike some banks, credit unions are generally well capitalized. Their impediment to even more small business lending is not the need for more capital but an arbitrary statutory limit on business loans of 12.25% of their total assets.

The federal credit union regulator supports raising the limit which would be accomplished under legislation such as HR 3380 that would facilitate more business lending while promoting continued safety and soundness with these loans.



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Raising the statutory loan ceiling could provide up to \$10 billion in new loans to small businesses and create as many as 108,000 jobs. That is why a growing number of small business and public policy groups support raising the credit union business loan cap:

Americans for Tax Reform
Center on Risk, Regulation & Markets at the Heartland Institute
Competitive Enterprise Institute
Council of Insurance Agents and Brokers
Ford Motor Minority Dealer Association
League of United Latin American Citizens (LULAC)
Manufactured Housing Institute
National Association of Mortgage Brokers
National Cooperative Business Association
National Cooperative Grocers Association
National Association of Realtors
National Farmers Union
National Small Business Association
NCB Capital Impact
National Association of Professional Insurance Agents
National Association for the Self-Employed
National Association of Manufacturers
National Council of Textile Organizations

The ability of credit unions to build capital would also support greater lending activities, although credit unions are not seeking government funds to increase their capital. Rather, they need a statutory amendment that would authorize secondary capital to supplement, not replace, their Tier I capital.

These legislative initiatives – which would not increase costs to taxpayers -- would help support greater member business lending and ultimately help the economy recover.

While the Administration has chosen to focus on the banks today, credit unions are calling on the President, you, and other policymakers in the strongest terms possible to endorse these initiatives going forward -- which are fully consistent with the President's objectives to stimulate the economy.

In closing, these matters are of critical importance to credit unions and their communities. We urge you not to ignore credit unions and to help achieve these initiatives as expeditiously as possible.

Sincerely,

A handwritten signature in cursive script that reads "Daniel A. Mica". The signature is written in black ink and is positioned above the typed name and title.

Daniel A. Mica
President and CEO