



Credit Union National Association

cuna.org

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February 25, 2009

The Honorable Barack Obama
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the Credit Union National Association (CUNA), I am writing regarding your speech last evening before the Joint Meeting of Congress. CUNA represents nearly 90% of America's 8,000 credit unions and their 90 million members.

We were particularly interested in your comments regarding the importance of credit to the economy. We are very pleased that your administration is moving swiftly and aggressively to restore confidence and re-start lending. As you move forward, we hope you will consider credit unions as a key part of the solution to the credit crunch facing America's small businesses.

Credit unions did not cause the financial crisis, but we are being affected by it. Even still, credit unions continue to lend and have the capacity to do more. For example, last year, when the residential mortgage market came to a virtual halt, credit unions actually increased their lending. Unfortunately, credit unions are legally and unnecessarily restricted from similarly alleviating the credit crunch that grips America's small businesses. At fault is an arbitrary 12.25% of assets cap on credit union member business lending.

We estimate that credit unions could lend up to \$10 billion in new business loans during the first year after the credit union business lending cap was eliminated. The average credit union business loan is under \$200,000; this means that credit union business loans go to the small businesses that need them the most. It is not about lending to build shopping centers or sports arenas; this is about helping businesses make payroll, stay in business, expand their businesses and stimulate the economy.

For the last ten years, credit unions have been subject to a statutory cap on the amount of business lending they can extend. Banking lobbyists convinced Congress to enact this cap in order to restrain credit unions. However, there is no economic or safety and soundness rationale to this cap. Credit union business loans have significantly lower charge-off and delinquency rates when compared both to other type of credit union lending as well as similar business loans made by banks. At a time when small businesses have fewer and fewer places to turn for credit, it makes absolutely



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no sense to arbitrarily restrain the ability of credit unions to serve their business-owning members.

To be frank, the banking lobby opposes the elimination of the credit union member business cap. They say that permitting credit unions to do more business lending presents banks with a competitive disadvantage. This argument is ridiculous in an economy where those opposed to credit union business lending are not lending themselves, and where credit unions hold less than 1% of all business loans held by depository institutions. Encouraging competition by permitting credit unions to do more small business lending could go a long way to eliminate the credit crunch and restore confidence in the economy. It may even encourage America's community banks to lend more to small businesses.

We hope you support credit unions as part of the solution by calling on Congress to enact legislation that eliminates the credit union member business lending cap. On behalf of the 90 million members of America's credit unions, thank you very much for considering our views.

Sincerely,

A handwritten signature in black ink that reads "Daniel A. Mica". The signature is written in a cursive, flowing style with a large initial 'D'.

Daniel A. Mica
President and CEO