



Credit Union National Association

cuna.org

**DANIEL A. MICA**  
PRESIDENT & CEO

601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | **PHONE:** 202-638-5777 | **FAX:** 202-638-7734

March 19, 2009

The Honorable Mary Landrieu  
Chairwoman  
Committee on Small Business and  
Entrepreneurship  
United States Senate  
Washington, DC 20510

The Honorable Olympia Snowe  
Ranking Member  
Committee on Small Business and  
Entrepreneurship  
United States Senate  
Washington, DC 20510

Dear Chairwoman Landrieu and Ranking Member Snowe:

On behalf of the Credit Union National Association (CUNA), thank you for holding the hearing examining "Perspectives from Main Street on Small Business Lending". CUNA represents nearly 90 percent of America's 8,000 credit unions and their 90 million members.

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 they 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 by an arbitrary statutory cap on business lending of 12.25% of a credit union's total assets. Credit unions have been subject to this statutory cap for the last ten years. Banking lobbyists convinced Congress to enact this cap in order to restrain credit unions. However, there is no economic or safety and soundness rationale for this cap.

Credit union business loans have significantly lower charge-off and delinquency rates when compared both to other types of credit union lending as well as similar business loans made by banks. As not-for-profit institutions, credit unions are more conservatively managed, and the numbers bear this out. Considering all loans, the net chargeoff rate for credit unions in 2008 was 0.84% while the average bank rate was 1.24%. Net chargeoffs for small-business loans at credit unions are even lower. During 2008, the net chargeoff rate for credit union member business loans was 0.33%. For banks, the rate was 1.11%.

In the absence of a statutory cap, credit unions would still be subject to safety and soundness regulation and examination by their state or federal regulator. Contrary to the rhetoric by those who oppose credit union business lending, eliminating the cap will not lead to unlimited business lending by credit unions; however, at a time when small businesses have fewer and fewer places to turn for credit, it makes absolutely no sense to arbitrarily restrain the ability of credit unions to serve their business-owning members.



PO Box 431 | Madison, WI 53701-0431 | 5710 Mineral Point Road | Madison, WI 53705-4454 | **PHONE:** 608-231-4000

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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 businesses that need them the most. This is not about credit unions 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.

We appreciate that in the 110<sup>th</sup> Congress you both cosponsored legislation that would have provided credit unions relief from the business lending cap by increasing the cap from 12.25% of total assets to 20%. Senator Schumer recently announced his intention to introduce legislation to eliminate the cap. We hope you will join him in his efforts to help improve credit availability to small businesses by removing the arbitrary limits on credit union business lending.

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 style with a large initial 'D'.

Daniel A. Mica  
President & CEO