



Credit Union National Association

cuna.org

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May 26, 2009

The Honorable Sam Graves
Ranking Member
Committee on Small Business
United States House of Representatives
Washington, DC 20515

Dear Ranking Member Graves:

On behalf of the Credit Union National Association (CUNA), thank you for holding the roundtable on "Access to Capital" on May 20. 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. 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 charge off rate for credit unions in 2008 was 0.84% while the average bank rate was 1.24%. Net charge offs for small-business loans at credit unions are even lower. During 2008, the net charge off 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 and 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



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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 \$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.

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 cursive script that reads "Daniel A. Mica". The signature is written in black ink and is positioned below the word "Sincerely,".

Daniel A. Mica
President & CEO