



Credit Union National Association

cuna.org

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Members of the United States Senate
Washington, DC 20515

Dear Senator:

On behalf of the Credit Union National Association (CUNA)¹, I am writing to urge your support of the Small Business Lending Enhancement Act, S. 509. Credit unions are capped, by law, from loaning more than 12.25% of their assets to small businesses. This legislation would permit credit unions to more fully meet the credit needs of America's small businesses by raising the lending cap and allowing access to an additional \$13 billion of capital, at no cost to the taxpayer.

Since their founding in the United States over 100 years ago, credit unions have been serving the credit needs of their small business-owning members. As banks have reduced credit availability to small businesses over the last several years, credit union business lending has safely and soundly expanded with remarkably lower charge-off and delinquency rates than banks making business loans. Since 1998, credit union member business loan net charge-off rates have been roughly one-third the bank average (0.36% vs. 0.95%). Additionally, in 2010, credit union member business lending net charge-offs averaged less than one-half the bank rate (0.74% vs. 1.75%), and in the first quarter of 2011 credit union member business lending annualized net charge-offs remained about equal to the bank rate (1.18% vs. 1.14%) even though the bank rate declined dramatically in the most recent quarter.

Despite a request from small businesses for capital and our desire to lend, credit unions have been subject to a statutory business lending cap of 12.25% of their assets since 1998. Today, 334 credit unions are rapidly approaching the cap. While these credit unions represent just 16% of credit union business lenders, they account for fully 51% of all business loans subject to the 12.25% cap. They have been the major contributors to credit union member business loan growth over the past few years. Over the next few years, the growth among these credit unions will dry up with an increase to the cap. These are credit unions that have the necessary experience to lend to small businesses in a safe and sound manner and these are among the institutions being harmed by an arbitrary cap.

¹ CUNA represents nearly 90% of America's 7,300 state and federally chartered credit unions and their 93 million members, many of whom own small businesses which could benefit from this legislation.



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Last year, the administration gave its strong support to identical legislative language to increase the credit union business lending cap to 27.5% of total assets, and worked with the National Credit Union Administration to shape this legislation. The Treasury Department indicated they would support legislation that provides for safety and soundness concerns. This legislation does that by requiring credit unions to be well capitalized, demonstrate at least five years of experience of sound underwriting and servicing of member business loans, have experience in managing these loans and be subject to approval from their regulator, the National Credit Union Administration. In addition, credit unions' lending ability would be increased gradually with vigorous oversight from the regulator.

The recently enacted Small Business Lending Fund Act gave community banks \$30 billion of taxpayer money as an incentive to lending to small businesses. However, despite Congress' good intentions, bankers have not fulfilled their charge. Instead, they have loaned only \$9.2 billion (64% of which was requested by recipients of the Troubled Asset Relief Program). This does not satisfy the main street business owner who has been turned down for a loan by multiple banks, and it should not satisfy Congress. Credit unions have a history of better lending and will do better than the banks' failed efforts, all without any cost to the taxpayer.

It is disturbing that the bankers seem more concerned about keeping credit unions from helping small businesses than helping small businesses themselves.

This legislation is not about credit unions; it is about helping small businesses access credit without putting taxpayer funds at risk. We believe that this legislation will help credit unions lend at least \$13 billion in additional business loans in the first year after enactment, helping small businesses create over 140,000 new jobs. With the average credit union business loan approximately \$220,000, this means that roughly 65,000 small businesses could benefit from this legislation.

Credit unions have capital to lend, a history of prudent and safe small business lending, and a mission to help provide access to credit to their members—including their small business-owning members. **This is a commonsense economic recovery and job creation measure that requires no taxpayer money and does not expand the size of government.** We encourage all Senators to cosponsor S. 509, and hope the Senate will act quickly to pass this bill.

Best regards,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping underline that extends to the right.

Bill Cheney
President & CEO