



Credit Union National Association

[cuna.org](http://cuna.org)

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July 29, 2009

The Honorable Paul Kanjorski  
Member of Congress  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Ed Royce  
Member of Congress  
U.S. House of Representatives  
Washington, DC 20515

Dear Representatives Kanjorski and Royce:

On behalf of the Credit Union National Association (CUNA), thank you for introducing H.R. 3380, the Promoting Lending for America's Small Business Act. CUNA is the largest credit union trade association in the United States, representing nearly 90 percent of America's 8,000 state and federally chartered credit unions and their 92 million members.

The United States is in the midst of a financial crisis that is affecting every sector of our economy, including America's small businesses. We appreciate your recognition that credit unions can play a key role in helping solve the credit crunch facing America's small businesses. When other lenders have been forced to pull back lines of credit, credit unions have continued to lend and they 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. We believe credit unions can do more and should be given the opportunity to do more to help small businesses.

Unfortunately, credit unions are 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, as you know, there is no economic or safety and soundness rationale for this cap.

H.R. 3380 would increase the credit union member business lending cap to 25% of a credit union's total assets, raise the "de minimis" threshold for a loan to be considered a "member business loan" to \$250,000, and exempt loans made to non-profit religious organizations as well as loans made in qualified underserved areas from the cap. These changes to the current statutory restrictions on credit union member business lending will give credit unions currently serving the lending needs of their business-owning members the opportunity to help even more, and it will encourage credit unions that do not currently offer these loans to consider investing the necessary resources to do so.

Increasing the credit union member business lending cap makes sense for a number of reasons: credit unions have proven themselves as financial institutions that know their members and know how to lend to their members; they have demonstrated the ability to provide these loans safely and soundly; and most importantly, they can help address a real need in a difficult economic time. This is common sense legislation that will provide economic stimulus without increasing the size of government or costing taxpayers a dime.



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### **America's Small Businesses Face a Credit Crunch**

As the financial crisis has worsened, it has become more difficult for small businesses to get loans from banks, or maintain the lines of credit they have had with their bank for many years. The recent struggles of CIT, one of the largest lenders to small and medium sized businesses, only exacerbates the problems that these business owners face in obtaining the credit they need to weather the crisis.

The average credit union business loan is approximately \$200,000; this means that credit union business loans are used not only to start new businesses but also help business-owning credit union members make payroll, stay in business, expand their businesses and stimulate the economy.

That is why a growing list of small business and public policy groups agree that now is the time to address the statutory credit union business lending cap, including:

- Americans for Tax Reform
- Competitive Enterprise Institute
- Ford Motor Minority Dealer Association
- League of United Latin American Citizens
- Manufactured Housing Institute
- National Association for the Self Employed
- National Association of Mortgage Brokers
- National Cooperative Business Association
- National Cooperative Grocers Association
- National Farmers Union
- National Small Business Association
- NCB Capital Impact
- National Association of Professional Insurance Agents.

Member business loans have been among the faster growing types of credit union loans (evidence of the credit crunch from other business lenders) but this growth rate will undoubtedly have to slow unless the cap is removed or increased. If your bill were law, it would enable credit unions to continue to provide significant capital to credit union member owned small businesses – up to \$10 billion in the first year.

### **Credit Unions Lend To Business-Owning Members Safely and Soundly**

Since the enactment of the credit union business lending cap in 1998, much of the rhetoric in opposition to lifting the cap has suggested that credit unions do not have experience offering business loans to their members or that this is not a safe business for credit unions to engage. Both arguments are folly.

Credit unions have a long history of offering their members loans to help start small businesses. In fact, credit unions have been offering business loans to their members since their inception in the United States one hundred years ago.

Furthermore, the data suggest that credit unions have done this type of lending in a safer and sounder way than other lenders. 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 -- 0.33%; for banks, the rate was 1.11%.

H.R. 3380 recognizes that credit unions have a track record that demonstrates they can help in a safe and sound manner and that they should be part of the solution to the credit crunch small businesses face.

In conclusion, on behalf of the 92 million members of America's credit unions, thank you very much for introducing H.R. 3380, the Promoting Lending to America's Small Businesses Act of 2009. We applaud your leadership on this issue and look forward to working with you to secure its enactment.

Sincerely,

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

Daniel A. Mica  
President & CEO