

WRITTEN STATEMENT
OF
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GREYLOCK FEDERAL CREDIT UNION
ON BEHALF OF THE
CREDIT UNION NATIONAL ASSOCIATION
BEFORE THE
SMALL BUSINESS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
SEPTEMBER 27, 2007

Chairwoman Velazquez, Ranking Member Chabot, and other members of the Small Business Committee, I am Donald Kuczarski, Senior Vice President of Business Banking at Greylock Federal Credit Union, in Pittsfield, Massachusetts. I appreciate this opportunity to appear before the Committee on behalf of the Credit Union National Association (CUNA) and to express our support for maximum funding levels for the Small Business Administration's 7(a) Loan Guaranty Program. CUNA is the nation's largest credit union advocacy organization, representing over 90% of our nation's approximately 8,800 state and federal credit unions, their State credit union leagues, and their 89 million members.

Greylock FCU is located in Western Massachusetts in the Heart of beautiful Berkshire County. Our Field of Membership includes anyone who works or lives in Berkshire County. Pittsfield has a population of 40,000 and Berkshire County has a population of 135,000.

Greylock is the leading mortgage and auto loan lender, and has also become a leading lender for small businesses, thanks in large part to the Small Business Administration's 7(a) lending program.

Chairwoman Velazquez, I'm honored to be here to speak to you about the positive impact that SBA lending offers to our local economy, to our credit union and most importantly to our members. Your leadership and efforts to encourage credit unions to participate in SBA programs is greatly appreciated and we thank you for introducing the Credit Union Small Business Lending Act, which will do just that. We truly value our partnership with the SBA. It has

helped so many small business owners and contributed to an economic turnaround in Western Massachusetts so we thank you for this opportunity to share with you our experience in 7(a) lending.

Just a bit of background on our credit union: Greylock was founded in Pittsfield Massachusetts in 1935 as the Pittsfield G.E. Employees' Credit Union. GE thrived for many decades, offering thousands of good paying manufacturing and engineering jobs. Pittsfield's population exceeded 60,000, and the local Berkshire County economy relied heavily on General Electric. In the 1980s and 90s, GE downsized dramatically, eliminating more than 15,000 jobs and leaving only one division with about 500 jobs. In order to survive and continue to serve our members, Greylock moved to a community charter in the early 1990s, enabling us to serve not only GE families, but anyone who lives or works in Berkshire County.

The local economy has struggled to regain its footing since the departure of GE. Today the population of Pittsfield is just barely over 40,000, and only 135,000 people live in Berkshire County.

Slowly, the backbone of the Berkshire economy has moved from large manufacturers like GE to small businesses and family-owned enterprises. Hundreds of entrepreneurs have found a way to stay and grow in this area, and in 1999, Greylock established a business banking practice to help support that growth.

While we offer all the services typically found in a commercial banking operation we focus on small businesses with business loan requests between \$10,000 and \$200,000.

Many of these loans, due to their higher risk profile, would not have been made without the assistance of the SBA. They were ineligible for conventional financing due to minimal management experience, insufficient collateral or the business had a limited track record.

As a community based credit union, Greylock has always taken pride in giving auto loans and mortgages to members who are unable to obtain conventional financing. With the help of the

SBA, Greylock has been able to extend that philosophy by injecting over \$11 million into the local economy.

We were one of the first credit unions in the state to show an interest in becoming an SBA-approved lender, and we were approved in December 2002. Since then, we have developed a great working relationship with SBA, and in 2006 we became one of the first credit unions in the nation to be named to the Preferred Lender Program, or PLP. This was obtained as a result of our lending experience, and the quality and quantity of our SBA loan portfolio. Being a PLP lender allows us to approve loans without having to submit them to a regional office which can save a lot of time.

Thanks to the SBA program, we can offer financing at reasonable rates to small companies who do not fit the standard underwriting criteria.

Let me give you an example: a local family sought to purchase and expand a bakery business. The collateral associated with this loan would have been inadequate for Greylock to help them. But through the SBA program, we provided the financing they needed and this small business is now growing rapidly into a regional wholesaler. This business will exceed \$3 million in sales this year. The business deserved to be financed, and thanks to SBA, Greylock Federal Credit Union was able to help them get started.

We have hundreds of other stories like this one – landscapers, contractors, and small retailers. Through the SBA the credit union can do the right thing for the member and for the community while responsibly managing financial risk and credit quality. We have grown to become the number one SBA lender in our county, the eighth SBA lender overall in Massachusetts, and one of the top credit union SBA lenders in the country.

Small businesses are the lifeblood of the economy in our hometown region, and Greylock is the leading source for small business financing thanks to the SBA. But we would appreciate your help in making sure that flow of financing continues. As you know, credit unions have a cap on the amount of commercial lending they can engage in. We are limited to 12.25% of assets and

from our experience the current cap is artificial and far too restrictive. Less than eight years into our commercial lending, and after only five years of SBA lending, we will soon hit the cap and have to limit future loans to businesses in Berkshire County. Strictly speaking, SBA loans do not count toward the cap. Currently, only the guaranteed portion of a loan (generally 75 – 80% of the loan amount) is excluded. However, these loans often evolve into conventional loans, so the cap hamstrings us, taking away the flexibility that has been the key to our success. Chairwoman Velazquez, your legislation, the Credit Union Small Business Lending Act, would expand the member business lending cap by exempting the entire loan amount from the cap, providing credit unions with additional capacity to make non-SBA business loans.

There is also a provision in the Credit Union Regulatory Improvements Act, H.R. 1537, that would increase the MBL cap from 12.25 % to 20% of assets. Not only would this provide relief to credit unions already offering member business lending, it would also make it feasible for other credit unions to incur the expenses in establishing formal business lending programs and allow many more local businesses to have the benefits of increased lending options.

CUNA is hopeful that credit union participation in the SBA 7(a) program will continue to grow. However, credit unions will have a difficult time when faced with the current roadblocks of increased fees and inadequate funding of the SBA's programs. By definition, these loans are going to small and start-up businesses and increased fees can really hurt them when they are managing very tight margins and cash flows. For example we recently provided financing to a payroll company for the acquisition of a competitor. Our member had to pay an \$8,200 fee to the SBA for a \$365,000 loan.

Again, thank you for the opportunity for us to share our thoughts on sustaining and improving the 7(a) program. It means a lot to our credit union and to the small businesses we serve in Berkshire County.