



Credit Union National Association

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June 11, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid and Minority Leader McConnell:

On behalf of the Credit Union National Association (CUNA), I am writing regarding the need to foster job creation and economic development. CUNA is the largest credit union advocacy organization in the United States, representing nearly 90% of America's 7,200 state and federally chartered credit unions and their 95 million members.

The deepening economic crisis in Europe threatens the fragile economic recovery in the United States. The President has encouraged Congress to enact a jobs plan to help small businesses weather this impending threat, and we believe credit unions are in a position to help. Credit unions are not nearly as exposed to the issues in Europe as banks, especially larger banks. As a result, credit unions are better positioned to continue to lend to small businesses.

During the most recent financial crisis, credit unions business lending portfolios grew while banks scaled back lending and, in some cases, withdrew from the market. However, many of the credit unions that contributed the most to this growth are affected by the statutory cap on credit union business lending, a cap that did not exist prior to 1998. Senators Mark Udall, Collins, Snowe and Schumer have introduced the Credit Union Small Business Jobs Act (S. 2231) to allow well-capitalized credit unions with a strong history of business lending, which have been operating near the cap for a minimum of one year, to apply to the National Credit Union Administration for the authority to increase their business lending gradually to as much as 27.5% of assets. This legislation has been endorsed by the Treasury Department and has broad bipartisan support in Congress. If this legislation became law, we believe credit unions could make \$13 billion in additional credit available to America's small businesses in the first year, helping them create 140,000 new jobs; no outlay of taxpayer funds would be required.

Credit union business loans are subject to strong regulation; in fact, a credit union business loan is subject to much greater regulation than a bank business loan. The legislation includes provisions designed to maintain and enhance the safety and soundness of credit unions engaging in business lending, and protect the National Credit Union Share Insurance Fund. Only healthy credit unions with significant business lending experience are allowed to engage in additional business lending. It would not open the flood gates for credit union business lending, as the bank lobby suggests; rather, the additional business lending would be done only by credit unions that have the experience to serve their members in this regard.



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The ABA and the ICBA have aggressively opposed this legislation. They say on one hand that this legislation would severely harm their members, and on the other hand that it would only affect a small number of credit unions. They also say that the legislation is not necessary because they say that the drop in bank business lending is due to a lack of demand. Simply put: they shouldn't be allowed to argue both sides of the argument. The fact is that about 500 credit unions are approaching the cap. These are not large credit unions; most of them are mid-sized credit unions. Because of the relatively limited impact of this legislation, we do not foresee this legislation adversely affecting banks; to the contrary, banks would benefit from the additional capital in the market, and bankers across the country recognize this phenomenon. In a recent *American Banker* reader survey, 60% of respondents indicated they support additional business lending because competition is good for all lenders.¹ The bank lobby may find victory in stalling this legislation; however, the losers are the small businesses that aren't being served by banks and can't be served by credit unions because Congress hasn't passed this legislation.

The American economy has not yet fully recovered from the last bank-caused crisis, and storm clouds are forming on the horizon as the crisis in Europe deepens. Credit unions were there for small businesses during the last crisis, but if the Credit Union Small Business Jobs Act is not enacted, the credit unions with the experience and capacity to help small businesses will not be able to be there during the next crisis. It's time to say "no" to those who don't want choice and "yes" to small businesses. We urge you to enact S. 2231, the Credit Union Small Business Jobs Act and allow credit unions to do what they were created to do – provide credit to their members, including their small business owning members.

On behalf of America's credit unions and their 95 million members, thank you for your consideration.

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

¹ "Should Credit Unions Be Permitted to Expand Small Business Lending." *American Banker*. Survey of Readers. April 16 – 22, 2012. <http://www.americanbanker.com/polls/index.html?id=545>.