



Credit Union National Association

cuna.org

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March 16, 2011

The Honorable Scott Garrett  
Chairman  
Subcommittee on Capital Markets and  
Government Sponsored Enterprises  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters  
Ranking Member  
Subcommittee on Capital Markets and  
Government Sponsored Enterprises  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

Dear Chairman Garrett and Ranking Member Waters:

On behalf of the Credit Union National Association (CUNA), I respectfully ask that this letter be made a part of the record of today’s hearing entitled, “Legislative Proposals to Promote Job Creation, Capital Formation, and Market Certainty.” CUNA represents nearly 90% of America’s 7,600 state and federally chartered credit unions and their 93 million members.

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. While not the largest portion of credit union lending, small business lending is the fastest growing segment of credit union lending by a significant margin. Unfortunately, since 1998, credit unions have been subject to an arbitrary statutory cap on business lending of 12.25% of a credit union’s total assets; as a result, today, many credit unions are rapidly approaching the cap while others choose not to engage in business lending because of the cap. In an effort to promote economic recovery and job creation, we strongly urge Congress to increase the credit union member business lending cap.

Last year, the administration gave its support to legislation 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. We conservatively estimate that if this bill became law, credit unions could lend an additional \$13 billion to small businesses in the first year after implementation, helping them to create nearly 140,000 new jobs. This is a commonsense economic recovery and job creation measure that requires no taxpayer money and does not expand the size of government.

Unlike the recently enacted Small Business Lending Fund Act, which gave community banks \$30 billion of taxpayer money as an incentive to lend to small businesses, increasing the credit union business lending cap could be done without spending a dime of taxpayer money and without increasing the size of government. To be clear: credit unions do not need taxpayer money to lend more to small businesses: they need the authority from Congress to do so.



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As you are undoubtedly aware, the major banking trade associations oppose credit unions' efforts to help small businesses. Their opposition demonstrates that once again the bankers have their facts wrong and their priorities confused.

The bankers say increasing the credit union member business lending cap is not necessary because there are not very many credit unions approaching the cap; but the truth is that there are nearly 350 credit unions at or quickly approaching the cap, accounting for approximately 60% of credit union business lending – the credit unions that have experience serving small businesses are the ones approaching the cap. If the cap is not increased, the ability of these credit unions to continue to be there for their small business-owning members will be jeopardized. This legislation is targeted toward those credit unions with business lending experience, and only permits credit unions which are well capitalized, close to the current cap and with a history of safe and sound business lending to apply for authorization to lend above the current cap level.

The bankers also claim that an increase in the credit union business lending cap somehow means that credit unions are not fulfilling their mission to provide credit to their members. While it is true that part of the credit union mission is to serve those of modest means, it is also true that many modest means individuals run small businesses and need credit. This is especially the case in economic downturns because unemployed and discouraged job seekers are more likely to form businesses during these events.

The bankers complain about the credit union tax status that the Joint Committee on Taxation says will cost \$600 million this year but which the data suggest will provide over \$10 billion in benefit to credit union members as well as those who do not belong to credit unions. Yet, these same bankers take \$30 billion of taxpayer money and show no increased willingness to lend to small businesses.

Let's face it: the banker's objection is rooted in their fear of competition, which given the circumstances is relatively hollow. Credit unions currently hold 5% of the small business loans issued by depository institutions. We believe that many of the additional business loans granted by credit unions once the cap is increased would not be loans otherwise made by banks. They would be loans too small for a bank to consider, or to borrowers unwilling to deal with a bank. However, even if all of the new credit union loans would have been made by banks, and if credit union business lending doubled (both quite unlikely), that would still leave banks with 90% of the business lending market.

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What is more troubling than their rhetorical arguments is the fact that they miss the point of this legislation entirely. This legislation is not about credit unions; it is about helping small businesses access credit. Yet, the bankers seem more concerned about keeping credit unions from helping small businesses than helping small businesses themselves. Credit unions understand that in order for the economy to fully recover, small businesses need access to credit which will help their businesses grow. 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. We just need Congress to act.

America's credit unions and their 93 million members stand ready to be part of the solution to the economic problems our nation faces. To that end, we encourage Congress to consider legislation increasing the credit union member business lending cap. **This is a commonsense economic recovery and job creation measure that requires no taxpayer money and does not expand the size of government.**

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

