

Credit Union Small Businesses Lending

Did You Know?

- Credit unions have been making member-business loans (MBLs) since their inception in the early 1900s. In the first 90 years of their existence, there was no MBL cap on credit unions. The current cap is an arbitrary limit imposed by Congress in the Credit Union Membership Access Act of 1998 (CUMAA).
- In the next year, credit unions business lending could increase over \$13 billion, helping small businesses create over 140,000 new jobs if Congress increases the statutory cap on credit union business lending. This can be done without costing the taxpayers a dime and without increasing the size of government. Unlike banks, credit unions do not need taxpayer assistance to encourage them to do more business lending; credit unions only need authority from Congress.

Our Ask:

- Congress should enact legislation (S. 509/H.R. 1418) to provide a taxpayer-free infusion of \$13 billion in capital to small businesses to create 140,000 jobs nationally, by increasing the credit union lending cap to 27.5%. This approach has been endorsed by the Obama administration.

What are the Policy Issues?

- America's small businesses are the engine of growth of our nation's economy. The effects of the financial crisis of the past few years have spread to all types of lending, resulting in a reduction in the availability of business credit.
- Unemployment remains high, at 9.2%. America's small businesses could create jobs, if they are given access to capital. Credit unions can provide them with \$13 billion in capital.
- The cap on credit union member business lending (currently 12.25% of the total assets of the credit union) has no economic, safety and soundness or historical rationale. In fact, credit unions have been lending to their business-owning members for a century. Additionally, credit union loan losses (net charge off rates) for business loans are much lower than those for business loans made by banks.
- At a time when banks are withdrawing credit from America's small businesses, credit unions have actually been expanding credit to small businesses, but with more credit unions approaching the cap, this growth is threatened. It makes economic sense to permit credit unions to lend additional capital to their business-owning members.

What are the Implications for Small Businesses?

- The average credit union business loan is approximately \$220,000. Therefore, when a credit union lends to one of its business-owning members, the capital can be used to keep the business competitive and hire additional employees – up to 140,000 people nationally.
- Banks have been reducing credit availability, and even after receiving \$30 billion of taxpayer money, banks still are not meeting the demand for small business loans. Credit unions have a strong history of better lending, and will do better than the banks' failed efforts to help small businesses, all without any cost to the taxpayer.

