

## **Credit Union Member Business Lending**

### **Key differences between H.R. 1418 (112<sup>th</sup> Congress) and H.R. 3380 (111<sup>th</sup> Congress)**

#### **Summary**

In the 111<sup>th</sup> Congress, H.R. 3380 was introduced to address a lending cap placed on credit union business lending in 1998. Prior to this time, there was no cap on such lending. H.R. 3380 would have allowed credit unions to lend up to 25% of their total assets for business lending. A similar bill was pending in the Senate. In response to a letter from Secretary Geithner to then-Chairman Barney Frank, Senator Udall introduced a bill (S. 509) earlier this year to increase the cap to 27.5% of total assets and added significant safety and soundness improvements. Rep. Royce has introduced legislation (H.R. 1418) almost identical to Senator Udall's bill.

#### **H.R. 3380 (111<sup>th</sup> Congress)**

- Increases the lending cap to 25% from 12.25% of total assets

#### **Letter from Secretary Geithner**

Secretary Geithner stated he could support legislation that maintains the current limit for most credit unions but increases the cap to 27.5% for credit unions that meet certain high standards:

- Near the current limit for four consecutive quarters, totaling 80 percent of the allowed amount
- Are well capitalized
- Have no less than five years of experience of underwriting and servicing member business loans
- Have strong policies and experience in managing member business loans

The letter also calls for NCUA to approve credit unions on a case-by-case basis, as well as a gradual increase in the cap for those approved credit unions.

#### **H.R. 1418 (112<sup>th</sup> Congress)**

Increases the cap for credit unions to 27.5% that meet the following conditions, subject to NCUA approval:

- Had member business loans outstanding at the end of each of the four consecutive quarters, in a total amount of not less than 80 percent of the applicable limitation
- Is well capitalized
- Can demonstrate at least five years of experience of sound underwriting and servicing of member business loans
- Has the requisite policies and experience in managing member business loans

Additionally, the legislation requires NCUA to develop a tiered approval process to ensure that credit unions approved for higher caps gradually increase their member business lending in a manner that is consistent with safe and sound operations. The rate of increase may not exceed 30 percent per year.