



Credit Union National Association

cuna.org

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December 22, 2009

The Honorable Mark Udall
United States Senate
Washington, DC 20510

Dear Senator Udall:

On behalf of the Credit Union National Association (CUNA), thank you for introducing S. 2919, the "Small Business Lending Enhancement Act of 2009." CUNA is the largest credit union trade association in the United States, representing nearly 90 percent of America's 8,000 state and federally chartered credit unions and their 92 million members.

The United States is in the midst of a financial crisis that is affecting every sector of our economy, including America's small businesses. Unemployment is as high as it has been in over two decades. We appreciate your recognition that credit unions can play a key role in solving the credit crunch facing America's small businesses, and help them create new jobs.

During this financial crisis, when other lenders have been forced to pull back lines of credit, credit unions have continued to lend and they have the capacity to do more. For example, last year when the residential mortgage market came to a virtual halt, credit unions actually increased their lending. We believe credit unions can do more and should be given the opportunity to do more to help small businesses. Unfortunately, credit unions are unnecessarily restricted from similarly alleviating the credit crunch that grips America's small businesses by an arbitrary statutory cap on business lending of 12.25% of a credit union's total assets. Credit unions have been subject to this statutory cap for the last ten years; however, as you know, there is no economic or safety and soundness rationale for this cap.

S. 2919 would increase the credit union member business lending cap to 25% of a credit union's total assets, and raise the "de minimis" threshold for a loan to be considered a "member business loan" to \$250,000. These changes will give credit unions currently serving the lending needs of their business-owning members the opportunity to help even more, and it will encourage credit unions that do not currently offer these loans to consider investing the necessary resources to do so.

Congress turned to credit unions during the Great Depression to give consumers access to financial services because the banks would not serve them. Today, small businesses face the same dilemma – they need access to credit, but it is not available through banks. Credit unions have been providing business loans to their members for over 100 years. In fact, as banks have pulled back credit from small businesses, credit unions have continued to lend and they have the available funds and expertise to do more. They have proven themselves as financial institutions that know their members and know how to lend to their members; they have



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demonstrated the ability to provide these loans safely and soundly; and most importantly, they can help address a real need in a difficult economic time.

The member business lending cap, currently 12.25% of a credit union's total assets, not only keeps credit unions from engaging in business lending at levels above the cap, it also discourages credit unions that may have member demand for business loans from starting programs. Simply put: credit unions have a disincentive to start business lending programs when they know they may quickly reach the business lending cap. Raising the cap will affect not only the credit unions approaching the cap, but it will also encourage credit unions that may have member demand for business lending to offer business loans to their members.

Increasing the Credit Union Member Business Lending Cap Could Provide As Much As \$10 Billion in New Capital to Small Businesses, Creating As Many As 108,000 New Jobs, at No Cost to Taxpayers

As Congress considers legislation to create jobs, we believe that S. 2919 is precisely the type of legislation that should be included in a broader package because it would give credit unions the opportunity to lend up to \$10 billion to small businesses in the first year after enactment, helping them to create approximately 108,000 new jobs during that time period.

The average credit union business loan is approximately \$200,000; this means that credit union business loans are used not only to start new businesses but also help business-owning credit union members make payroll, stay in business, create jobs, expand their businesses and stimulate the economy.

S. 2919 will not completely solve the problems small businesses face – no single proposal will – however, this is common sense legislation that will help create jobs and provide economic stimulus without increasing the size of government or costing taxpayers a dime.

Credit Unions Lend To Business-Owning Members Safely and Soundly

S. 2919 recognizes that credit unions have a track record that demonstrates they can help in a safe and sound manner and that they should be part of the solution to the credit crunch small businesses face.

National Credit Union Administration (NCUA) and Federal Deposit Insurance Corporation data suggest that credit unions have done this type of lending in a safer and sounder way than other lenders. Credit union business loans have significantly lower charge-off rates when compared both to other types of credit union lending as well as similar business loans made by banks. As not-for-profit institutions, credit unions are more conservatively managed, and the numbers bear this out. The net charge off rate for credit union member business loans in 2008 was 0.33% compared to 1.01% for commercial loans at banks. For the first half of 2009, the annualized charge-off rate for credit union business loans remained at 0.32% while rising to 1.96% at banks. Raising the cap would in no way limit the NCUA's authority to regulate the continued safe and sound practice of credit union business lending. Recently, NCUA Chairman Deborah Matz announced her support for lifting the statutory member business lending cap.

Small Business Groups and Think Tanks Also Agree that Now is the Time to Lift the Credit Union Member Business Lending Cap

Legislation to lift the credit union member business lending cap is supported by a growing number of small business groups and think tanks including:

- National Small Business Association
- National Cooperative Business Association
- National Association of Realtors
- National Association for the Self Employed
- National Association of Manufacturers
- National Association of Mortgage Brokers
- National Association of Professional Insurance Agents
- National Cooperative Grocers Association
- National Farmers Union
- National Council of Textile Organizations
- Americans for Tax Reform
- Competitive Enterprise Institute
- Council of Insurance Agents and Brokers
- Ford Motor Minority Dealer Association
- League of United Latin American Citizens
- Manufactured Housing Institute
- NCB Capital Impact

On behalf of the 92 million members of America's credit unions, thank you very much for introducing S. 2919. We hope the Senate will include this important legislation in the job creation legislation expected to be considered in January.

Thank you very much for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Daniel A. Mica". The signature is written in a cursive, flowing style.

Daniel A. Mica
President & CEO