

**CREDIT UNIONS CAN LEND \$10 BILLION TO SMALL BUSINESSES, HELPING TO CREATE 108,000 JOBS, IF CONGRESS INCREASES THE STATUTORY BUSINESS LENDING CAP (S. 2919/H.R. 3380)**

**Economy in Crisis: Small Businesses are Experiencing Difficulty in Obtaining Credit from Banks**

- Small businesses are finding it increasingly difficult to obtain credit due to the uncertainty that has enveloped the economy in the wake of the sub-prime lending crisis as well as the massive consolidation in the commercial banking arena that has occurred over the last several years.
- Small business owners are also seeing their existing credit lines with banks reduced or cut off.
- Those small business owners who are able to obtain credit often complain that the loan terms are much less attractive than they would be with additional lenders in the market.
- Small businesses need more options – not fewer.

**True to Their Mission: Credit Unions Have a History of Making Business Loans to Their Members**

- Credit unions have been making member business loans (MBL) since the early 1900s.
- Throughout most of this period there were no limits on the volume of member business loans credit unions could originate or hold. In fact, statutory limits on credit unions' member business lending did not appear until passage of the Credit Union Membership Access Act of 1998 (CUMAA).

**Safe and Sound: Credit Unions are Helping and in a Position to Do More**

- Credit union MBL loss rates are lower than those on credit union consumer loans and are a fraction of commercial loan loss rates at commercial banks, even during these difficult economic times.
- Credit union business lending has grown 15% over the last year, while bank business lending has decreased 11%.

**Congressional Action Is Needed in Order for Credit Unions to Continue to Serve Members Who Own Small Businesses**

- Credit unions are subject to a cap on the amount of business loans they can extend which is essentially 12.25% of the credit union's total assets. There was no economic rationale for the limit when it was enacted. And, no rationale exists today.
- Today, credit unions have about \$30 billion in outstanding business loans, but nearly \$18 billion has been extended by credit unions approaching or exceeding the cap. (A small number of credit unions have a "grandfather" exemption from the cap imposed in 1998).
- Credit unions with important experience in business lending are approaching their capacity to help business owners absent Congressional action.

**Congress Should Give Credit Unions the Opportunity to Serve Their Business-Owning Members**

- Congress has the opportunity to help small business owners by raising the credit union member business lending cap, and encouraging credit unions to lend to their business-owning members.
- Credit unions approaching the cap have the most experience in business lending – experience that facilitates this activity being done in a safe and sound manner.
- CUNA estimates that, if the S. 2919 / H.R. 3380 were law, credit unions could extend up to \$10 billion in additional business loans to their members, helping them to create 108,000 jobs.

**Increasing the Credit Union Member Business Lending Cap Represents Economic Stimulus that Does Not Cost the Taxpayers a Dime Nor Expand the Size of Government**

# Estimated 1st-Year Increases in Member Business Lending at Credit Unions

Data source: NCUA and CUNA E&S. Data as of September 2009

Current total CU MBLs outstanding =	\$35,693,878,822	
Proposed new authority (% of assets) =	25.0%	
Estimated 1st year increases in CU MBL loans:		<b>Rounded Down</b>  <b>\$10,000,000,000</b>
Baseline estimate:	\$13,531,225,180	
Adjusted/conservative estimate:	\$10,824,980,144	
<b>Estimated increase in employment (using adjusted/conservative loan growth)</b>		
(Using CEA 5/09 job creation estimates based on stimulus spending)	117,663	<b>108,000</b>

- Assumptions:
1. Grandfathered CUs (i.e., those currently above the 12.25% cap) do not increase lending;
  2. Non-MBL lenders lend in amount equal to 1% of assets on average under the new authority;
  3. All other MBL CUs lend in amount equal to their current use rate;
  4. First year increases: baseline estimate = 50% of new use rate; adjusted/conservative estimate = 40% of new use rate.
  5. Employment increase is based on Council of Economic Advisors job creation estimates (\$92,000 in spending creates 1 job).

