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Bipartisan Group of Senators Introduces Legislation to Help Jumpstart Lending to Small Businesses, Create Jobs

Current Law Caps Loans Credit Unions Can Offer Businesses; Legislation Would Raise Limit to Increase Access to Loans

Bill Would Increase Lending, Help Small Businesses Grow and Thrive

Washington, D.C. – Today, U.S. Senator Mark Udall (D-CO) and a bipartisan group of his colleagues introduced a bill to spur small business growth and create jobs by increasing access to loans from credit unions. The *Small Business Lending Enhancement Act of 2009* was co-sponsored by Senators Charles Schumer (D-NY), Joseph Lieberman (I-CT), Olympia Snowe (R-ME), Barbara Boxer (D-CA), Susan Collins (R-ME), and Kirsten Gillibrand (D-NY).

The bill is in response to pleas the Senators have heard from small business owners in their states. In the past 15 years, small businesses generated nearly two-thirds of all new jobs created in the United States – yet during the economic crisis, small business owners have struggled to access credit they need to expand. This is in part because big banks have tightened their lending and partly because of a lack of access to loans from credit unions.

The Senators' legislation is designed to increase access to credit union loans. By law, credit unions are required to limit member business lending to 12.25 percent of the credit union's total assets. The Senators' bill would raise that cap to 25 percent of total assets, and increase the minimum business loan subject to the cap from \$50,000 to \$250,000.

“Small businesses are the engine of our nation's economy – but small business owners from across Colorado are telling me that they are still struggling to access lines of credit they rely on,” **Senator Udall said.** “If we're going to rebuild our economy, we have to unlock the credit market so businesses on Main Street can make payroll, buy inventory and expand. By increasing access to credit union loans, small businesses across the country will be able to expand, and create

thousands of jobs.”

“Our focus must be on increasing the lending to small businesses, which are the lifeblood of our economy. They have not only been a casualty of the ongoing credit crisis, but have unduly felt its impact.” **Senator Schumer said.** “The situation facing these businesses right now is much worse than a matter of them simply being denied new loans. They are being strangled by having existing lines of credit pulled. A threat like this to small businesses could upend the livelihood of millions of workers and be catastrophic for the larger economy.”

“The financing provided by America’s credit unions can help boost job creation at no cost to the taxpayer,” **Senator Lieberman said.** “To promote a robust economic recovery, we need to think creatively about how to get credit flowing through our economy. By freeing credit unions to lend more to small businesses, we will provide an additional source of capital to help those businesses grow and thrive.”

“As we continue to work to stabilize the economy, it is essential that the federal government take swift action to unlock credit for American entrepreneurs,” **said Senator Snowe, Ranking Member of the Senate Small Business and Entrepreneurship Committee.** “By modestly increasing the lending cap for credit union members to 25 percent, this legislation will help to thaw the frozen credit markets and increase access to critical capital for small businesses which, in turn, will bolster their business and spur job growth across the nation.”

“This common-sense measure will allow credit unions to increase lending to small businesses so we can help them grow and create jobs,” **Senator Boxer said.**

Senator Collins called the measure “a lifeline” for small businesses. “This legislation, which is focused on lending to businesses, is an opportunity for credit unions to better serve the thousands of small business owners in Maine and the millions more across the country,” **Senator Collins said.** “In the midst of the worst financial crisis this country has seen since the Great Depression, small businesses continue to suffer the consequences of a tight credit market, even as other parts of the economy show signs of improvement. I understand the economic benefit that credit unions provide to communities, and this bill allows credit unions greater flexibility in extending those services to small businesses in their local communities.”

“If we’re going to create new jobs and rebuild our economy for the long term, small businesses need more access to credit,” **Senator Gillibrand said.** “This common-sense legislation would free up lending at not-for-profit credit unions in every corner of America to small businesses. This would give small businesses more of the capital they need to get off the ground, grow and get hundreds of thousands of Americans back to work.”

According to the Credit Union National Association, these sensible reforms will increase small business lending by \$10 billion within the first year of their enactment, producing more than 100,000 new jobs.

Furthermore, the National Credit Union Administration (NCUA), the independent federal regulator with oversight of credit unions, supports this legislation. In a letter to the Treasury

Department, NCUA Chairman Debbie Matz wrote, “NCUA supports a proper balance of serving business lending needs with a prudent regulatory framework to protect safety of the institutions and the National Credit Union Share Insurance Fund.... Credit union member business loans total over \$27 billion in assets. The potential is much greater – both for credit unions and for small businesses.”

The legislation would also encourage more credit unions to extend credit to small businesses. Under the current law, many credit unions find it difficult to start member business lending programs because the cost of meeting high regulatory and staffing requirements is too expensive relative to the cap. Credit unions say that raising the amount they are able to lend would make it easier to recover costs, and therefore would increase the number of credit unions able to start small business loan programs.

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