

Credit Unions lobby for new loan cap

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LIMA — Credit union officials here and across the country are hoping legislation making its way through Congress will make them a bigger player in business lending.

Bills working their way through the House and Senate would make it possible for credit unions nationwide to increase the amount of money they can loan from a current high of 12.25 percent of the credit union's total assets to 25 percent. It would also decrease the size of individual loans they can make that don't fall under the cap from \$250,000 to \$50,000.

The proposals have drawn opposition from the banking industry, whose representatives say the move would distract credit unions from their real purpose, to serve consumers of modest means. But credit union advocates say the legislation would provide a much-needed boost for small businesses at a time they need it most.

"Frankly, we want to fill in where the banks are failing, making loans to help small businesses," said Patrick Harris, director of media relations for the Ohio Credit Union League.

Harris said the new cap would make an additional \$10 billion available to small businesses nationally and help create 108,000 jobs. That comes at a time when bank business lending has been on the decrease. Between September 2008 and September 2009, business lending to small businesses decreased 15.1 percent nationally, according to the Federal Deposit Insurance Corp.

The banking industry has pointed out that the cap change would affect few communities. Less than 1 percent of all credit unions are near their caps. But Phil Buell, president of Superior Federal Credit Union said Lima is one of the communities that would benefit. With close to \$40 million in business loans out in the six-county area, Superior is close to hitting the cap.

"We're talking about \$40 million right now of pure liquidity we could pump right into the local economy if we were given the go," Buell said.

That money could be used to help small-business startups or expansions, Buell said. It would also help increase the credit union's earnings, which increases dividends and help keep fees lower for its members.

“It’s small businesses we’re talking about here. The average loan size we put out is about \$126,000,” Buell said.

The House and Senate versions of the bill could be added onto an upcoming jobs bill, Harris said. If that happens, there’s a good chance it would pass with bipartisan support.

“The bottom line is, it doesn’t harm credit unions. It helps members, It helps communities,” Harris said.