



Credit Unions Looking to Lend

By Kevin Smith Staff Writer

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It's tough for small businesses to expand and buy needed equipment when they can't get a loan.

During this more-than-two-year economic downturn, banks have been encouraged to make loans. But they're also under pressure by federal regulators to adhere to strict lending standards and to maintain a big enough financial cushion to guard against further financial problems.

So what's a small business to do?

If Bob Arnould has any say in the matter, they'll be turning to credit unions.

Arnould, senior vice president of government affairs for the California Credit Union League (CCUL), is supporting legislation that would increase the amount of money credit unions can lend to small businesses.

Currently, credit unions cannot make small business loans that collectively exceed 12.25 percent of their total assets, which severely limits the amount of money they can loan.

The Small Business Lending Enhancement Act (HR 3380 and S 2919) would hike that cap to 25 percent, which would allow for more small businesses to be helped.

Adoption of the legislation, Arnould said, could pump as much as \$10 billion in new dollars to the national economy and create more than 100,000 jobs - at no cost to taxpayers.

For California, passage of the legislation could potentially equate to more than \$2 billion in new loans, which would increase the amount of capital available for businesses throughout the San Gabriel Valley area.

"We're trying to open door to allow credit unions to help create more jobs in Los Angeles region - and across the country," he said.

Credit unions have always done a number of business loans, Arnould said, although they tend to be a little smaller than commercial loans from banks.

"We came through this current economic crisis without any TARP money," he said. "We think we can create 25,000 jobs in the state of California by freeing up credit unions to expand lending."

Mike Mastro, president and CEO of LA Firemen's Credit Union, offered an example of how credit unions sometimes offer loans that banks might be unwilling to do.

"We had a couple of people come to us who were interested in starting their own beer company called Fireman's Brew," he said. "They went to a number of banks, but the banks wouldn't even look at them."

However, the entrepreneurs made their presentation to LA Firemen's Credit Union and the credit union opted to lend them money to get going.

It turned out well.

"Now they have about 20 employees and they are selling their beer at Bristol Farms and at Whole Foods Market," Mastro said. "They're doing well."

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