



Credit Union National Association

cuna.org

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Members of the United States House of Representatives:

On behalf of the Credit Union National Association (CUNA), I am writing to urge your support of H.R. 3380, the Promoting Lending for America's Small Business Act. 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. As the crisis has worsened, it has become more difficult for small businesses to get loans from banks, or maintain the lines of credit they have had with their bank for many years. The recent bankruptcy of CIT, one of the largest lenders to small and medium sized businesses, only exacerbates the problems that business owners face in obtaining the credit.

Throughout the crisis, when other lenders have been forced to pull back lines of credit, credit unions have continued to lend and they have the available funds and expertise to do more. In fact, over the past year, business loans have been the fastest growing of all credit unions loan types, even as commercial loans at banks were declining. As America's small businesses continue to face a credit crunch, we believe credit unions can do more and should be given the opportunity to do more to help small businesses.

Unfortunately, credit unions face a statutory restriction that inhibits their ability to help small businesses. This arbitrary statutory cap limits a credit union's business lending capacity to 12.25% of the credit union's total assets. Credit unions have been subject to this statutory cap for the last ten years even though there is no economic or safety and soundness rationale for the cap. As more and more credit unions approach the cap, the recent growth of small business credit from the one source that is still in the game, credit unions, will have to slow unless the cap is raised.

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

H.R. 3380, bi-partisan legislation introduced by Representatives Paul Kanjorski and Ed Royce, would increase the credit union member business lending cap to 25% of a credit union's total assets, raise the "de minimis" threshold for a loan to be considered a "member business loan" to \$250,000, and exempt loans made in qualified underserved areas from the cap. 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



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currently offer these loans to consider investing the necessary resources to do so.

Increasing the credit union member business lending cap makes sense for a number of reasons: credit unions have proven themselves as financial institutions that know their members and know how to lend to their members; they have 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. This is common sense legislation that will provide economic stimulus without increasing the size of government or costing taxpayers a dime.

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.

If H.R. 3380 were law, it would enable credit unions to continue to provide significant capital to credit union member owned small businesses—up to \$10 billion in the first year—and create as many as 108,000 new jobs.

That is why a growing list of small business and public policy groups agree that now is the time to address the statutory credit union business lending cap, including:

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

Credit Unions Lend To Business-Owning Members Safely and Soundly

Since the enactment of the credit union business lending cap in 1998, much of the rhetoric in opposition to lifting the cap has suggested that credit unions do not have experience offering business loans to their members or that this is not a safe business for credit unions to engage. Both arguments are folly.

Credit unions have a long history of offering their members loans to help start and operate small businesses. In fact, credit unions have been offering business loans to their members since their inception in the United States one hundred years ago.

Furthermore, the 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 now way limit the NCUA's authority to regulate the continued safe and sound practice of credit union business lending.

H.R. 3380 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. The Promoting Lending to America's Small Businesses Act could put as much as \$10 billion into small businesses, and create 108,000 jobs at zero cost to taxpayers.

On behalf of the 92 million members of America's credit unions, we encourage you to support, H.R. 3380, the Promoting Lending to America's Small Businesses Act of 2009. 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 style with a large, prominent initial "D".

Daniel A. Mica
President & CEO