



Credit Union National Association

cuna.org

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November 14, 2008

The Honorable Steny Hoyer  
Majority Leader  
United States House of Representatives  
Washington, DC 20515

Dear Majority Leader Hoyer,

On behalf of the Credit Union National Association (CUNA), I am writing to ask you to include language in upcoming economic stimulus legislation to eliminate the statutory cap on credit union member business lending. CUNA represents approximately 90% of America's 8,200 state and federally chartered credit unions and their 90 million credit union members.

America's small businesses are the engine of growth of our nation's economy. As the effects of the subprime mortgage crisis have spread to the broader financial system, there has been a decrease in the availability of business credit. Overall, the credit union system is very well capitalized (nearly 11% on average); and there are hundreds of credit unions that have significant business lending experience which could have an immediate impact on the credit crunch. However, because most credit unions are subject to a statutory cap on the amount of business loans they can lend, legislation is needed to maximize credit unions' ability to help small businesses.

We estimate that in an environment in which there was no statutory cap on the amount of business lending a credit union could extend, and in which credit unions were encouraged by their regulator to extend business credit prudently, an additional \$10 billion in business loans could be made by credit unions in the first twelve months. This represents significant economic stimulus that does not cost the taxpayers a dime and does not expand the size of government.

There is no economic, safety and soundness nor historical rationale to the cap, which was enacted a decade ago. The cap exists to limit credit unions in this market – the only groups that benefits from credit unions being excluded are the banks that presently are withdrawing credit from small businesses. Small businesses pay the price of the credit union business lending cap because they have fewer options; and in the credit crunch, some are finding they have no options at all.



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Considerable data on credit union member business lending demonstrates this type of lending is sounder than both commercial lending extended by banks as well as other types of credit union loans. Some have suggested that credit unions do not have a history of doing this type of lending; however, that myth is dispelled by the fact that when Congress capped credit union business lending, credit unions with significant experience doing this type of lending were exempted by the cap.

In the decade since the cap was enacted, credit unions – both those subjected to the cap, as well as those exempt from it – have demonstrated that they can engage in this type of lending safely and soundly. With American small businesses facing a critical credit crunch that can only worsen and prolong the recession, and given the fact that credit unions in the United States were created to help stabilize the credit system, the time is now to encourage credit unions to help where they can do so responsibly.

As Congress considers economic recovery legislation, we look forward to working with you and your colleagues on this and other proposals to permit credit unions to continue to be part of the solution.

Sincerely,

A handwritten signature in cursive script that reads "Daniel A. Mica".

Daniel A. Mica  
President & CEO