From: Bill Cheney [mailto:officeoftheceo@cuna.com]
Sent: Tuesday, April 10, 2012
To:
Subject: Just The Facts

In recent weeks, there has been a lot of rhetoric regarding whether or not credit unions ought to be allowed to help small businesses recover from the recent financial crisis. Senator Mark Udall and Representative Ed Royce have introduced bipartisan legislation (S. 2231 / H.R. 1418) to allow well capitalized and well qualified credit unions with a history of safe and sound business lending to lend beyond the statutory cap on credit union business loans. This legislation would allow credit unions to lend an additional $13 billion to small businesses, helping them create 140,000 jobs in the first year.

We all know who opposes this legislation – the banks. They have sent a lot of material to the Hill in recent weeks; much of it has been misleading and blatantly false. While they are entitled to their opinion, they are not entitled to their own set of facts. So, let's set the record straight.

The Credit Union Small Business Jobs bill would:

- **Create 140,000 new jobs.**
- **Allow credit unions to lend an additional $13 billion to small businesses** within first year of enactment.
- **Fill a void in the market.** Credit unions have experienced a 45% increase in business lending nationally since the financial crisis began in December 2007, while banks have contracted small business lending by 15% during that same period. Without a cap increase, that growth in small business loans from credit unions will come to a halt.
- **Answer the call for demand** by increasing small business access to credit. A January 2012 National Federation of Independent Business (NFIB) survey on small business access to credit found a 9% increase in small businesses trying to borrow in 2011, but no change in the number of small businesses obtaining credit.
- **Build on the proven history of sound business lending by credit unions:** Credit unions have been safely making business loans to their members since their inception in the early 1900s, with historical loss rates much lower than at banks. During the financial crisis, credit unions stood with their business-owning members, expanding portfolios while banks pulled back access to credit. Now, the credit unions that contributed the most to this growth are approaching a statutory cap on business lending.
- **Limit risk by safely raising the cap.** Only well-capitalized credit unions with five years of business lending experience and which have been operating near the cap for one year will be able to apply to the National Credit Union Administration (NCUA) for additional lending authority.
- **Leave the cap unchanged for the vast majority of credit unions.** The legislation will keep in place the current 12.25% cap for the vast majority of credit unions until they apply to increase their cap and receive approval from NCUA.
- **Enhance credit union safety and soundness.** Credit unions already have lower loan losses than banks when it comes to business loans. Also, the NCUA will ensure credit unions that shouldn't be engaged in business lending don't put their members' capital at

risk. Raising the cap will also allow more credit unions to justify an investment in business lending, allowing them to diversify their loan portfolios.

- **Not Require Taxpayer Expenditures.** Unlike previous initiatives which made taxpayer money available to banks to lend to small businesses, this legislation does not require any taxpayer money to be expended. Credit unions would use their members' deposits to lend, as they have for over 100 years.
- **Be Consistent with the Credit Union Mission:** Credit unions were founded to "promote thrift and make loans for provident purposes" through a not-for-profit cooperative structure focused on the member-owner, not the profit margin. Meeting the credit needs of their members – including business credit – is why credit unions exist.
- **Not Threaten the Sustainability or Profitability of Community Banks.** Banks control 95% of the small business lending market in the United States. The legislation provides for a modest increase in credit unions' ability to lend to small businesses. Even if credit unions doubled their portfolios (which could not happen for at least three years under this legislation), banks would still have 90% of the market.

The banks want to paint this legislation as a "credit union versus banks" issue, but this legislation is about making more credit available to small businesses. The choice is clear: **Enacting S. 2231 will create jobs**. Leaving the bill on the table keeps these jobs from being created.

On behalf of America's 94 million credit union members, we encourage Congress to enact S. 2231, the Credit Union Small Business Job bill.

Best regards,

Bill Cheney
President and CEO