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BILL CHENEY
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December 14, 2011

The Honorable Jack Reed
Chairman
Subcommittee on Securities, Insurance and Investment
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Michael Crapo
Ranking Member
Subcommittee on Securities, Insurance and Investment
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Reed and Ranking Member Crapo:

On behalf of the Credit Union National Association (CUNA), I am writing regarding today's hearing on "Examining Investor Risk in Capital Raising." CUNA is the largest credit union advocacy organization in the United States, representing nearly 90% of America's 7,300 state and federally chartered credit unions and their 94 million members. We appreciate the opportunity to submit our views for the record of the hearing.

We understand that the Subcommittee will have under consideration several bills that purport to help create jobs by making it easier for small businesses and small banks to raise capital. Some of these bills include S. 556 (and its House companion, H.R. 1965), S. 1941, and S. 1824, which would amend Section 12(g) of the Securities Exchange Act of 1934 to lower the registration thresholds. We understand that the subcommittee may also consider certain crowdfunding bills.

To be clear: credit unions support efforts to help small businesses and want to be part of the solution as well. For 90 years until 1998, credit unions operated without a statutory cap on business lending. Today, the statutory cap is 12.25% of a credit union's total assets. Over the last several years, a number of credit unions have stood with small businesses when other lenders abandoned them, and as a result, are approaching the statutory cap. These credit unions have significant experience serving the types of small businesses that would be the drivers of economy recovery, but without the ability to lend beyond the statutory cap, they will be forced to wind down their offerings.

Senators Udall, Snowe and Schumer have introduced legislation (S. 509), which has been cosponsored by 21 Senators, that would allow well-capitalized and well-managed credit unions with business lending experience, operating near the statutory cap on credit union business lending, to lend up to 27.5% of total assets in a gradual and tiered manner. We estimate that credit unions could lend an additional $14 billion to

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small businesses in the first year after enactment, helping them to create over 130,000 jobs. The Chairman of the National Credit Union Administration has said that if this legislation were law, NCUA would promulgate new regulations related to credit union business lending that would enhance supervision and safety and soundness.[1] She has also testified that "when regulated consistent with the principles of sound risk management and consistent with the capabilities of the credit union, increased business lending is good not only for the credit union, but also for its members and the communities in which the credit union operates."[2] The legislation has been endorsed by the Treasury Department.[3]

There is no doubt that small businesses in this country are an important part of the economic engine, and that these companies in particular are in need of a great deal of assistance. No single piece of legislation represents a complete solution to the problem; indeed, one of the best things that Congress could do for small businesses is prudently reduce the statutory and regulatory impediments financial intermediaries face when seeking to help small businesses.

If part of the solution to the problems facing small businesses is to reduce the regulatory scrutiny on and public disclosure by banks in order to, as the Independent Community Bankers of America have suggested, save them approximately $150,000 in fees paid to the Securities and Exchange Commission,[4] then surely it is also within the realm of good public policy to permit well-capitalized and well-managed credit unions with business lending experience, operating near the statutory cap on credit union business lending, to lend beyond the cap under a rigorous regulatory regime.

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[1] Testimony of NCUA Chairman Deborah Matz before the Senate Committee on Banking, Housing and Urban Affairs. "Credit Unions: Member Business Lending." June 16, 2011. 21. (see: http://banking.senate.gov/public/index.cfm?FuseAction=Files.View&FileStore_id=a5593de3-ca35-45fd-8f9f-d0007b0a6143).

[2] Ibid.

[3] Letter from Treasury Secretary Timothy Geithner to House Financial Services Committee Chairman Barney Frank. May 25, 2010. (see: http://www.cuna.org/download/mbl/geithnerltrto_frank0810.pdf).

[4] Letter from Cam Fine, President and CEO of the Independent Community Bankers of America, to the United States Senate. December 8, 2011. (see: http://www.icba.org/files/ICBASites/PDFs/ltr120811.pdf).

Regarding crowdfunding, we appreciate that sourcing funds from a large number of small investors can play a role in funding a small business, but such a technique is not without risk to those small investors that cannot be ignored. In addition, it is unfortunate that part of the reason small businesses find crowdfunding attractive is their perceived lack of adequate funding from traditional sources, i.e., from intermediaries such as banks and credit unions. It would seem that a prudent public policy to increase the availability of funding to small businesses would use all available and sensible remedies. In our view, allowing well-established, well-regulated, and experienced credit unions to provide additional credit to small businesses is not only reasonable, but also prudent. In fact, if one were to list available policy remedies that would address the shortage of credit to small businesses, in order of their likely effectiveness and low risk, we believe that raising the statutory cap on credit union business lending would come considerably ahead of more lenient registration rules regarding crowdfunding.

Credit unions would be significantly troubled if any of the bills related to shareholder thresholds or crowdfunding moved through the legislative process in the absence of similar movement of S. 509. This is a key issue for credit unions.

On behalf of America's credit unions and their 94 million members, thank you for your consideration of our views.

Best regards,

Bill Cheney
President & CEO