The Credit Union Small Businesses Jobs Creation Act

Did You Know?

- Credit unions have been making member-business loans (MBLs) since their inception in the early 1900s. In the first 90 years of their existence, there was no cap on business lending.
- The current cap was imposed by Congress in the Credit Union Membership Access Act of 1998 (CUMAA) and limits most credit unions to lending no more than 12.25% of their assets to small businesses without any economic, safety and soundness or historical rationale.
- Credit unions could lend an additional $13 billion to small businesses, helping them create over 146,000 new jobs in the first year after enactment if Congress increases the statutory cap on credit union business lending. This can be done without costing the taxpayers a dime and without increasing the size of government. Credit unions do not need taxpayer assistance to encourage them to do more business lending; credit unions only need authority from Congress.

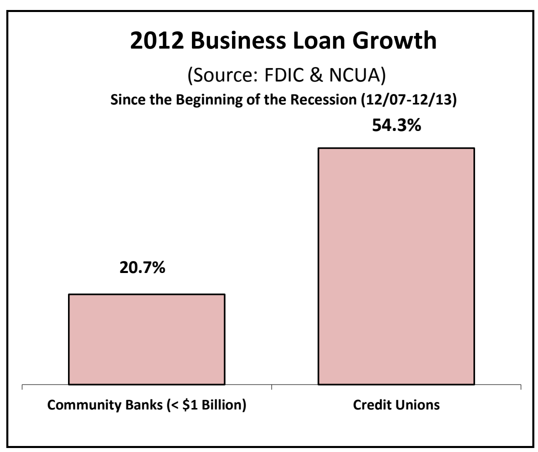
Our Ask:

- Congress should enact the Credit Union Small Business Jobs Creation Act which would allow well-capitalized credit unions operating near the business lending cap to increase their business loan offerings to 27.5% of total assets, if they receive approval by the NCUA. This approach has been endorsed by the Obama administration.

What are the Policy Issues?

- America's small businesses are the engine of growth of our nation's economy. The recent financial crisis has affected all types of lending, resulting in a reduction in the availability of business credit.
- America's small businesses could create more jobs, if they are given access to more capital. Credit unions can provide them with $13 billion in additional capital.
- Credit unions have demonstrated that they can do small business lending safely, and they stayed in the game when other lenders pulled back.
  - Credit union loan losses (net charge off rates) for business loans are much lower than those for business loans made by banks.
  - At a time when banks are withdrawing credit from America's small businesses, credit unions have actually been expanding credit to small businesses. The credit unions with the most business lending experience are approaching the cap, threatening this growth.
- Credit unions hold just 6.2% of all small business loans at depository institutions. It took CUs 100 years to reach this share of market. Even if CUs were to double their market share in the future that would still leave banks with an incredible 88% share.

What are the Implications for Small Businesses?



- The average credit union business loan is approximately $217,000, meaning that credit unions are generally going to the underserved market of smaller-small businesses. Therefore, when a credit union lends to one of its business-owning members, the capital can be used to keep the business competitive and hire additional employees – up to 146,000 people nationally.
- Credit unions have a strong history of better lending, and will do better than the banks' failed efforts to help small businesses, all without any cost to the taxpayer.
- Approximately 500 credit unions are currently constrained by or actively managing the cap. The cap restricts some credit unions from continuing to help small businesses participate. In some cases, this means credit unions that stood with their members during the financial crisis have turned them away during the recovery because they are at or approaching the

H.R. 688 – Credit Union Small Business Jobs Creation Act **(As of 3.14.13)**
Lead Sponsors: Rep. Ed Royce (R-CA)
Co-sponsors: 71 including Carolyn McCarthy (D-NY)
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