



National Association of Federal Credit Unions
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Fred R. Becker, Jr.
President and CEO

September 2, 2010

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Re: Allow Credit Unions to Help Small Businesses Create Jobs

Dear Speaker Pelosi and Minority Leader Boehner:

The Commerce Department last Friday lowered its second quarter estimate for U.S. GDP growth from a 2.4 percent annual rate to just 1.6 percent. News that economic growth continues to dwindle is especially devastating for the millions of Americans looking for work. On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, I ask today that you take action to enable credit unions to further assist with the nation's recovery efforts by lifting the arbitrary member business lending cap currently hampering credit union lending efforts to fellow small businesses.

When Congress comes back into session in September, the Senate is expected to resume consideration of the small business lending legislation (H.R. 5297) passed by the House in June. Given that the strength of the economy and labor force is strongly influenced by the health and well being of the small business community, lifting the arbitrary restriction on credit union's business lending ability is a common sense and cost effective way to ensure that credit worthy small businesses have the capital they need to help spur job creation.

In the House, Representatives Paul Kanjorski and Ed Royce have introduced standalone legislation, the *Promoting Lending to America's Small Businesses Act of 2009* (H.R. 3380) that would lift the member business lending cap imposed on credit unions. In the Senate, Mark Udall has filed an amendment to H.R. 5297 that would also lift the member business lending cap. While the details of these proposals differ somewhat, it should be noted that they are both bipartisan, both put safety and soundness safeguards into place in conjunction with raising the member business lending cap, and neither would cost the American taxpayer a dime. The National Credit Union Administration (NCUA), which

The Honorable Nancy Pelosi
The Honorable John Boehner
September 2, 2010
Page 2 of 2

has a strong track record of overseeing credit union business lending, recently wrote to Treasury Secretary Timothy Geithner to let him know that the NCUA would be ready to handle any modification of the arbitrary cap.

It should also be known that the banking industry's opposition to legislation that would raise the member business lending cap for credit unions has been refuted as far back as 2001, when the Treasury Department released a study entitled "Credit Union Member Business Lending" and found that "...credit union's business lending currently has no effect on the viability and profitability of other insured depository institutions." (p. 41). Additionally, when examining the issue of whether modifying the arbitrary cap would help increase loans to businesses, the study found that "...relaxation of membership restrictions in the Act should serve to further increase member business lending..." (p. 41). Furthermore, while the banking industry—in their shameless opposition to this bill—mistakenly claims that credit union business loans are more risky, *the Treasury study concluded just the opposite* and stated that "We found that member business loans are generally less risky than commercial loans made by banks and thrifts..." (p. 41).

It is with the above concerns in mind that we urge you to include language that would raise the arbitrary credit union member business lending cap in H.R. 5297, or as a part of any other piece of legislation put forward to promote employment and stimulate the economy. Thank you for your attention to this matter. If my staff or I can be of assistance to you, or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Director of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,



Fred R. Becker Jr.
President/CEO

cc: Members of the United States House of Representatives