



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

September 2, 2010

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

**Re: Allow Credit Unions to Help Small Businesses Create Jobs – attach Senator
Mark Udall’s Member Business Lending Amdt to HR 5297**

Dear Leader Reid and Leader McConnell:

The Commerce Department on 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 standing in the unemployment line. 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 lending efforts to fellow small businesses.

When the Senate comes back into session this month, and you and your colleagues resume consideration of the pending small business legislation (H.R. 5297), NAFCU urges you to act on and pass an amendment filed by Senator Mark Udall (SA 4443) which would raise the arbitrary credit union member business lending cap to 27.5% of assets, up from 12.25%. 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 fact, raising the member business lending cap on credit unions wouldn’t cost the American taxpayer a single penny.

The Udall amendment, a carefully crafted compromise between key lawmakers, the National Credit Union Administration (NCUA) and the Department of Treasury, specifically addresses safety and soundness concerns by limiting a credit union’s member business lending portfolio growth to no more than 30% annually. In addition, a credit

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union would need five consecutive years of experience in underwriting and servicing member business loans, and meet a series of standards set by the NCUA including a requirement that the prudential regulator deem participating credit unions well capitalized. We emphasize that earlier this year, NCUA Chairman Debbie Matz wrote to Treasury Secretary Timothy Geithner to assure him that the agency was ready to respond to a modification of the arbitrary cap with respect to safety and soundness.

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).

Over 92 million Americans are members of their local credit union, and bringing Udall Amdt #4443 to a vote in the Senate while considering H.R. 5297 would enable small business owners across the country to access the capital they need to flourish. Failure to do so would be tantamount to leaving thousands of Americans in the unemployment line when a no-cost solution could have been passed to help them. Our nation's credit unions and the 92 million members that they serve hope that this is not the course this Congress chooses to take.

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 Senate