



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

June 30, 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: Support Udall Amendment # 4443 to Increase Arbitrary Member Business Lending Cap for Credit Unions

Dear Leader Reid and Leader McConnell:

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 am writing to express our support for the amendment offered by Senator Mark Udall (Amdt. #4443) to the Small Business Lending Fund Act (H.R. 5297). We urge the Senate to adopt this important amendment. The Udall amendment, which would increase the arbitrary credit union member business lending cap to 27.5% of assets, up from 12.25%, represents a carefully crafted compromise between key lawmakers and the Department of Treasury.

When considering this amendment it is important to note that the language puts into place significant safeguards to address safety and soundness concerns, including limiting a credit union's member business lending portfolio growth to no more than 30% annually. In addition a credit union would need five consecutive years of experience of underwriting and servicing member business loans, and meet a series of standards set by the National Credit Union Administration including a requirement that the prudential regulator deem participating credit unions well capitalized. Earlier in the 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.

Raising the credit union member business lending cap would help take an important step in the recovery of the small business community and the overall economy. Unlike our banking counterparts, NAFCU believes we must do everything possible to extend credit to small businesses using as many resources as possible.

It should be noted that the banking industry's claims for imposing and maintaining the arbitrary cap were 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 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).

Finally, we would emphasize that the Udall Amendment would in no way be a burden on taxpayers. We would reiterate that this important amendment would raise the member business lending cap enabling credit unions to supply much needed capital to small businesses, all without costing the American taxpayer a cent. It is with this in mind that NAFCU supports Udall Amendment #4443 to the Small Business Lending Fund Act (H.R. 5297) as a positive first step in assisting American small business owners during these difficult economic times. We urge the Senate to adopt this amendment as part of H.R. 5297.

Should you have any questions or require any additional information please do not hesitate to contact myself or Brad Thaler, NAFCU's Director of Legislative Affairs, at 703-522-4770.

Sincerely,



Fred R. Becker, Jr.
President/CEO

cc: Members of the United States Senate