



National Association of Federal Credit Unions
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B. Dan Berger
Executive Vice President
Government Affairs

March 1, 2010

The Honorable Sherrod Brown
Chairman
Subcommittee on Economic Policy
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Jim DeMint
Ranking Member
Subcommittee on Economic Policy
Committee on Banking, Housing
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Brown and Ranking Member DeMint:

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 you regarding the hearing – “Restoring Credit to Main Street: Proposals to Fix Small Business Borrowing and Lending Problems” – being held tomorrow by the Senate Banking Committee's Economic Policy Subcommittee. We hope you will include credit unions in any discussion of small business lending.

NAFCU also urges the inclusion of S. 2919, the *Small Business Lending Enhancement Act of 2009*, as part of any legislation put forward to promote employment and stimulate the economy. S.2919 would enable credit unions to assist our nation's small businesses with their lending needs without cost to the American taxpayer.

NAFCU believes that the strength of the economy and labor force is strongly influenced by the health and well being of the small business community. Unfortunately, due to an antiquated arbitrary cap (12.25% of total assets) on their member business lending, credit unions' business lending ability is restricted. While there are a number of credit unions at or approaching the arbitrary cap, many more have capital to lend but have not fully developed their business lending programs because of this artificial and arbitrary limitation on these programs. S. 2919 would raise this arbitrary cap to 25% of assets and update the definition of member business loan (that hasn't been adjusted since last century).

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Raising the arbitrary 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 from 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—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). The National Credit Union Administration has a strong track record of overseeing credit union business lending and just last week, 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.

Finally, we would note that President Obama has noted that he would like job creation measures which would not be a burden on taxpayers. We would reiterate that this important piece of legislation would raise the member business lending cap to 25% while also allowing credit unions to supply much needed capital to small businesses, **all without costing the American taxpayer a cent**. It is estimated that enactment of this legislation could spur \$10 billion in new lending to small businesses within the first year alone. It is with this in mind that NAFCU strongly supports including S. 2919 the *Small Business Lending Enhancement Act of 2009*, in any job creation legislation.

Thank you for your attention to this matter. If 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,



B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the Senate Banking Committee