



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

March 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: Support H.R. 3380, the *Promoting Lending to America's Small Businesses Act of 2009***

Dear Speaker Pelosi and Minority Leader Boehner:

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 urge your support for H.R. 3380, the *Promoting Lending to America's Small Businesses Act of 2009*, bipartisan legislation introduced by Reps. Paul Kanjorski (PA-11) and Ed Royce (CA-40) that would raise the arbitrary member business lending cap imposed on credit unions.

NAFCU urges the inclusion of H.R. 3380 as part of any legislation put forward to promote employment and stimulate the economy. Despite relentless attacks from banking trade groups against this legislation, many of whom represent firms that have taken billions in taxpayer bailouts while handing out millions in excessive bonuses on Wall Street, H.R. 3380 is a viable way to enable credit unions to assist our nation's small businesses with their lending needs without costing the taxpayer a dime.

The level of hypocrisy being displayed by the banking industry has reached new heights. Just last week the Federal Deposit Insurance Corp (FDIC) reported that bank lending has tumbled 7.5 percent in the last year, the largest annual decline since 1940. This report comes on the heels of news that the FDIC has placed over 700 banks on a "problem list" that is longer than it has been in nearly 20 years. At a time of spiking unemployment it is inconceivable that the same banks that have turned their backs on small businesses are now determined to prevent others from helping small business owners obtain the credit they need to keep our fragile economy growing.

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The Honorable John Boehner  
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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 the 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.

H.R. 3380 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 (NCUA) has a strong track record of overseeing credit union business lending. Just last week, NCUA Chairman Debbie Matz wrote to Treasury Secretary Timothy Geithner to let him know that the NCUA would be ready to handle any modification of the arbitrary cap.

For the banking trades to suggest that raising the cap or adjusting an artificial limitation on the definition of a member business loan (that has not been adjusted for inflation since the last century) will lead to a potential taxpayer bailout of credit unions is simply absurd. Ironically, if the leaders of the banking trades would have spent the last couple years concerned about the safety and soundness of their own industry as they seem to be about credit union community, we might not be in the financial crisis we are today.

Finally, we would note that President Obama has noted that he would like job creation measures which would not be a burden on taxpayers. 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. Unlike some other ideas, this approach to helping small businesses could be done **without costing the American taxpayer a cent**. It is with this in mind that NAFCU strongly supports including H.R. 3380 in any job creation legislation.

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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,

A handwritten signature in black ink, appearing to read "B. Dan Berger", with a long horizontal flourish extending to the right.

B. Dan Berger  
Executive Vice President, Government Affairs

cc: Members of the United States House of Representatives