



**National Association of Federal Credit Unions**  
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**B. Dan Berger**  
*Executive Vice President*  
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January 19, 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 S. 2919, the *Small Business Lending Enhancement Act of 2009***

Dear Leader Reid and Leader McConnell:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association that exclusively represents the interests of our nation's federal credit unions, I am writing to urge the Senate to include S. 2919, the *Small Business Lending Enhancement Act of 2009*, as part of any legislation to promote employment and stimulate the economy and to refute the shameless attacks made by the banking trade groups against this legislation. As if taking billions in bailouts and bestowing millions in bonuses were not enough, the massive hypocrisy of banks has reached new levels as they fight to prevent others from helping the same small businesses that they have turned their backs on.

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. Unlike many banks, credit unions stand ready to assist our nation's small businesses with their lending needs. In this time of turmoil, many small businesses have lost important lines of credit from other lenders. 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.

The *Small Business Lending Enhancement Act of 2009* would help take an important step in the recovery of the small business community and the overall economy. It is ironic that the same banking community that took billions in bailouts and turned its back on many small business owners by canceling their lines of credit has been the main

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opposition of this legislation. 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 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.

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, **all without costing the American taxpayer a cent**. 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 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,



B. Dan Berger  
Executive Vice President, Government Affairs

cc: Members of the United States Senate