



National Association of Federal Credit Unions
3138 10th Street North • Arlington, Virginia • 22201-2149
703-522-4770 • 800-336-4644 • 703-522-0594

B. Dan Berger
Executive Vice President
Government Affairs

March 9, 2011

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: Please Support S. 509 the *Small Business Lending Enhancement Act*

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 write today to urge you to support and co-sponsor the *Small Business Lending Enhancement Act* (S.509) and ask that you allow it to come to a vote in the Senate during the 112th Congress. This bipartisan legislation introduced by Senators Mark Udall, Olympia Snowe, Barbara Boxer, Sherrod Brown, Susan Collins, Al Franken, Kirsten Gillibrand, Patrick Leahy, Joseph Lieberman, Bill Nelson, Jack Reed, Charles Schumer, Sheldon Whitehouse and Ron Wyden would raise the arbitrary credit union member business lending cap to 27.5 % of total assets, up from 12.25%, and help stimulate the nation's struggling economy by increasing access to credit for small business owners.

This legislation, similar to the compromise amendment Senator Udall offered last Congress on the *Small Business Lending Fund Act* (H.R. 5297), is well thought out and includes important provisions to ensure that safety and soundness concerns are addressed. A credit union would need to meet strict eligibility requirements to gradually increase its member business lending portfolio, including – being well capitalized [currently 7% net worth ratio]; having at least 5 years of member business lending experience; must be at or above 80% of the current 12.25% cap for at least 1 year before applying; and must be able to demonstrate sound underwriting and servicing based on historical performance and strong management. Again, the requirements in the legislation mirror those included in the Udall amendment last Congress that was endorsed by both the Treasury Department and the National Credit Union Administration.

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Arguments that raising the member business lending cap for credit unions would take business away from community banks do not hold water. These claims 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).

We can all agree that the strength of the economy and labor force is strongly influenced by the health and well being of the small business community. NAFCU member credit unions stand ready to bolster efforts to extend credit to small businesses from as many resources as possible. It is with this in mind that NAFCU supports the Udall legislation (S.509) as a positive first step in assisting American small business owners during these difficult times. We urge the Senate to consider and adopt this legislation.

Should you have any questions or require additional information please do not hesitate to contact myself or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Dan Berger". The signature is stylized and written in a cursive-like font.

B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the United States Senate