



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

June 21, 2011

The Honorable Sam Graves
Chairman
House Small Business Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Nydia M. Velazquez
Ranking Member
House Small Business Committee
United States House of Representatives
Washington, D.C. 20515

Re: Support H.R. 1418, the Small Business Lending Enhancement Act of 2011

Dear Chairman Graves and Ranking Member Velazquez:

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 in conjunction with tomorrow's hearing, "The State of Small Business Access to Capital and Credit" featuring testimony from Treasury Secretary Geithner outlining an important way to help our nation's small businesses.

As you may know, Representative Ed Royce (R-CA) has introduced bipartisan legislation, the *Small Business Lending Enhancement Act* (H.R. 1418), which 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. We ask that the committee take this legislation into consideration as it looks at different ways to free up capital and create jobs.

The *Small Business Lending Enhancement Act* represents a carefully crafted compromise tailored to address concerns that raising the current cap could somehow create safety and soundness issues. Any participating credit union must be well capitalized; have 5 years of member business lending experience; be at or above 80% of the current cap for at least one year prior to applying; and must be able to demonstrate sound underwriting and servicing based on historical

The Honorable Sam Graves
The Honorable Nydia M. Velazquez
June 21, 2011
Page 2 of 2

performance and strong management. As recently as last week, when testifying before the Senate Banking Committee, National Credit Union Administration (NCUA) Chairman Debbie Matz assured Congress that the agency was ready to respond to a modification of the arbitrary cap with respect to safety and soundness. Furthermore, in a May 25, 2010 letter to then House Financial Services Committee Chairman Barney Frank, Secretary Geithner expressed the Treasury Department's support for the same approach to addressing the credit union member business lending cap as put forth in H.R. 1418.

While some in the banking industry have opposed helping small businesses by modifying the arbitrary credit union member business lending cap, their errant claims have been 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 mistakenly claims that credit union business loans are more risky, *the Treasury study concluded just the opposite* and stated, "We found that member business loans are generally less risky than commercial loans made by banks and thrifts..." (p. 41).

It is with the above concerns in mind, and on the behalf of nearly 93 million credit union members across the country, that we ask Congress to stand up for small business owners and allow credit unions with solid safety and soundness records to expand member business lending efforts. Lifting the arbitrary member business lending cap would be a positive step in creating more jobs and in turn, ensuring the country's fragile economic recovery stays on course. We urge members of the Committee to support H.R. 1418 as you look at ways to expand access to capital and credit for small businesses.

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,



B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the Committee