



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

July 11, 2011

The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Re: Allow Credit Unions to Help Small Businesses Create Jobs, Support H.R. 1418

Dear Speaker Boehner and Minority Leader Pelosi:

As you know, last Friday's news from the Labor Department that the unemployment rate climbed to 9.2 percent is disappointing for those looking for work and for the overall health of the economy. 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 ask you today to take action to enable credit unions to further assist with the nation's recovery efforts by raising the arbitrary member business lending cap currently hampering credit union lending efforts to fellow small businesses.

Given that the strength of the economy and labor force is strongly influenced by the health and well-being of the small business community, raising the arbitrary restriction on credit union's business lending ability is a common sense and cost effective way to ensure that credit worthy small businesses have the capital they need to help spur job creation.

As you may know, Representative Ed Royce (R-CA) has introduced bipartisan legislation, the *Small Business Lending Enhancement Act of 2011*, 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.

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 performance and strong management. Recently, when testifying before the Senate Banking Committee, National Credit Union

The Honorable John Boehner
The Honorable Nancy Pelosi
July 11, 2011
Page 2 of 2

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 the House 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 United States House of Representatives