



National Association of Federal Credit Unions
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Fred R. Becker, Jr.
President and CEO

February 7, 2012

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: Credit Unions Stand Ready to Help Small Businesses Create More Jobs

Dear Leader Reid and Leader McConnell,

As Congress focuses on job creation and the economy, the National Association of Federal Credit Unions (NAFCU) continues to urge swift action on the *Small Business Lending Enhancement Act* (S. 509), sponsored by Senators Mark Udall and Olympia Snowe. This bipartisan legislation would raise the arbitrary member business lending cap credit unions face and help spur lending to local small business owners.

Don't believe the misinformation you have heard from the banking trade groups, many of whom represent companies that have taken billions in taxpayer bailouts. S. 509 is a commonsense way to enable credit unions to further assist in our nation's economic recovery without costing the taxpayer a dime. That is why not only credit unions, but also many of our nation's groups representing small businesses are behind this bill. We encourage all members of Congress to take action and support this job creating legislation.

- **S. 509 could help spur over \$13 billion in new lending and create over 140,000 new jobs in the first year alone at no cost to taxpayers.** Not-for-profit credit unions do not need taxpayer dollars to lend to small businesses, rather they only need the removal of the arbitrary and artificial government cap (12.25% of total assets) on member business lending to help our economy.
- **Credit unions with member business loans actually have lower business loan losses (0.85% annualized net charge-offs) than commercial lending banks (1.07% annualized net charge-offs).** The average size of a credit union member business loan is approximately \$222,000, which mitigates credit risk and is evidence that these loans are truly loans to small businesses.
- **Creating jobs is one of the most important ways to help underserved communities in these tough economic times.** Credit unions have a long history of demonstrated service to underserved communities and outperforming banks as

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Page 2 of 2

evidenced by historical Home Mortgage Disclosure Act (HMDA) data. Raising this arbitrary, job-killing member business lending cap will help create these much needed jobs.

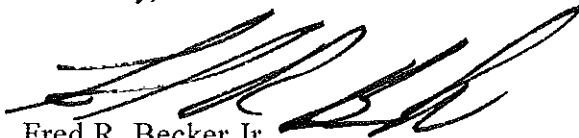
- **The current member business lending cap acts as a deterrent for efforts to increase business lending and create American jobs.** Credit Unions that are not near the 12.25% cap have a disincentive to invest in their member business lending programs, or in some cases, create a business lending program.
- **In order to see its cap increased, a credit union would need to meet strict eligibility requirements to gradually increase its member business lending portfolio.** A credit union must be well capitalized [currently at least a 7% net worth ratio]; have 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.

Many bankers will argue that it is unfair to increase credit union's member business loans because of the credit union tax exemption. What the banking trades don't want you to know is that *there are approximately 2,300 Subchapter S banks that avoid federal income taxes today.* One estimated value of the Subchapter S federal tax break for banks is \$2.05 billion for 2010, *which is significantly greater* than the estimated value of the entire credit union tax expenditure (\$1.27 billion).

As our nation struggles to recover from the worst financial crisis since the Great Depression, it is unfathomable to the nearly 94 million credit union members across the country that Congress could fail to act on this legislation. Simply put, there is no sound policy argument against this legislation – only misguided opposition from the same banking industry that promoted the kind of irresponsible lending that brought our economy to its knees in the first place. NAFCU encourages you to join the 22 bipartisan cosponsors of the *Small Business Lending Enhancement Act* (S. 509) today and support this key credit union issue.

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 me or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,



Fred R. Becker Jr.
President/CEO

cc: Members of the United States Senate