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National Association of Federal Credit Unions | www.nafcu.org

March 2, 2015

The Honorable John Boehner
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
Washington, D.C. 20515

Re: Support H.R. 1188, the *Credit Union Small Business Jobs Creation Act of 2015*

Dear Speaker Boehner and Leader Pelosi:

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 am writing to urge your support for H.R. 1188, the *Credit Union Small Business Jobs Creation Act of 2015*, introduced by Representatives Ed Royce and Greg Meeks. This bipartisan legislation would raise the arbitrary credit union member business lending cap to 27.5% of assets, up from 12.25%, and would stimulate the nation's struggling economy by increasing access to credit for small business owners. The current outdated and arbitrary cap serves as a deterrent to many credit unions from further enhancing their member business lending programs, as any modicum of success would likely put them up against this arbitrary threshold and effectively penalize them for being successful in aiding small businesses.

H.R. 1188 is a viable way to enable credit unions to assist our nation's small businesses with their lending needs. The credit union industry estimates that this legislation will help provide an additional \$13 billion to America's small businesses and create over 140,000 new jobs.

This legislation is a carefully crafted compromise between key lawmakers, the National Credit Union Administration (NCUA) and the Department of Treasury and includes important language that puts into place safeguards to address safety and soundness concerns, including limiting a credit union's member business lending portfolio growth to no more than 30% annually. In addition, a credit union would need five consecutive years of experience in underwriting and servicing member business loans, and meet a series of standards set by NCUA, including a requirement that the prudential regulator deem participating credit unions well capitalized.

The 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 or not 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, in response to the claims that credit union business loans were 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).

While some may want you to believe that raising the cap will threaten the business done by other financial institutions, this is simply untrue. A 2011 study commissioned by the Small Business Administration's (SBA) Office of Advocacy found that bank business lending was largely unaffected by changes in credit unions' business lending, and credit unions' business lending can actually help offset declines in bank business lending during a recession (James A. Wilcox, *The Increasing Importance of Credit Unions in Small Business Lending*, Small Business Research Summary, SBA Office of Advocacy, No. 387 (September, 2011)). The study shows that during the 2007-2010 financial crisis, while banks' small business lending decreased, credit union business lending increased in terms of the percentage of their assets both before and during the crisis.

The strength of the economy and labor force is strongly influenced by the health and well being of the small business community. NAFCU believes we must do everything possible to extend credit to small businesses from as many resources as possible. It is with this in mind that NAFCU urges you to support H.R. 1188, the *Credit Union Small Business Jobs Creation Act of 2015*, as a positive first step in assisting American small business owners during these difficult times.

Should you have any questions or require additional information please do not hesitate to contact myself or NAFCU's Associate Director of Legislative Affairs, Chad Adams, at (703) 842-2266.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Thaler', with a long horizontal line extending to the right.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the United States House of Representatives