



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
F: 703.522.2734
fbecker@nafcu.org

Fred R. Becker, Jr.
President/CEO

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

January 31, 2013

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

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

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, D.C. 20510

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

Dear Majority Leader Reid, Speaker Boehner, Republican Leader McConnell, and Democratic 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 set the record straight on a recent letter from the American Bankers Association (ABA) attacking the ongoing effort by credit unions to help our nation's small businesses. Unfortunately, our nation's bankers, many of whom made the subprime loans that got our nation into this crisis and then received a taxpayer bailout, have launched an all-out assault on our industry's effort to help our nation recover. NAFCU would like to set the facts straight and encourage you to support the bipartisan effort to raise the arbitrary and outdated credit union member business lending cap and to help small businesses access the credit they need to create jobs.

Unlike the bank bailouts, raising the arbitrary member business lending cap on credit unions would not cost taxpayers a single dime. While it is admirable that the ABA is worried about the safety and soundness of credit unions in their latest missive, one must wonder whether they should have spent more time worrying about the safety and soundness of their own members in the last decade. Perhaps if they had, our financial crisis would not have been of historic proportion.

While banks 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 (Sept. 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.


Additionally, banks claim that credit unions have unfair advantages and should be taxed. If credit unions have such an extraordinary advantage, why are the banks not lining up to convert to credit unions? What the banks won't tell you is that nearly 1/3 of them are Subchapter S corporations and pay no corporate income tax. Yes, they pay other taxes, but so do credit unions and their nearly 95 million member-owners who pay personal income taxes on the dividends they get from their credit union. Next time a banker complains to you about credit unions, ask them if they have looked at converting to one.

Finally, the banking industry also claims that very few credit unions have reached the 12.25% of assets cap. What they fail to mention is that the very existence of an arbitrary cap is a disincentive for credit unions to open member business lending portfolios, as a modicum of success could force them to scale back their new efforts. As the country recovers from the worst financial crisis of our time, Congress should leave no stone unturned in terms of assisting small businesses to get the capital that they need.

As you examine this issue, who will you stand with? Big banks, the ABA, and Wall Street *or* Credit Unions, small businesses, and Main Street?

Thank you for your attention to this matter. 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 myself, or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,



Fred R. Becker, Jr.
President and CEO

cc: Members of the United States Senate
Members of the United States House of Representatives