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October 22, 2013

The Honorable Scott Garrett
Chairman
House Financial Services Subcommittee on
Capital Markets & GSEs
United States House of Representatives
Washington, D.C. 20515

The Honorable Carolyn Maloney
Ranking Member
House Financial Services Subcommittee on
Capital Markets & GSEs
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Garrett and Ranking Member Maloney:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association that exclusively represents the interests of our nation's federal credit unions, I write in conjunction with the subcommittee hearing being held tomorrow entitled, "Legislation to Further Reduce Impediments to Capital Formation." Credit unions and their 96 million members urge your additional consideration of legislation that would reduce impediments to capital for our nation's small businesses by allowing credit unions to better assist in lending efforts.

As you know, there was a severe reduction in the availability of capital during the financial crisis. This credit crunch is still being felt by many small business owners today. As the economy recovers, credit unions continue to serve as an important resource for small businesses to obtain capital oftentimes in the event that they have been turned away from other financial service providers. While credit unions are equipped to help small businesses, their efforts, unfortunately, are severely hindered by the arbitrary credit union member business lending cap. This cap is denying our nation's small businesses all the tools they need to grow and spur economic activity such as job creation. With this in mind, Representatives Ed Royce and Carolyn McCarthy introduced bipartisan legislation, the *Credit Union Small Business Jobs Creation Act of 2013* (H.R. 688) to raise the arbitrary credit union member business lending cap. Both the Treasury Department and the National Credit Union Administration (NCUA) have signed-off on this proposal that would create jobs without spending a single dime of taxpayer funds.

Another impediment to credit unions providing much needed capital is their inability to access supplemental forms of capital. Under current law, a credit union's net worth ratio is determined solely on the basis of retained earnings as a percentage of total assets. Because retained earnings often cannot keep pace with asset growth, otherwise healthy growth can dilute a credit union's regulatory capital ratio. Representatives Peter King and Brad Sherman have introduced bipartisan legislation, the *Capital Access for Small Businesses and Jobs Act of 2013* (H.R. 719), that would address this problem by authorizing the NCUA to allow credit unions to access supplemental forms of capital that do not alter their cooperative nature. This would further minimize the probability of credit union insolvency, ensure they are able to maximize lending to small businesses, and allow them to grow to meet the needs of their members.

We urge you and your colleagues to consider and support these two bipartisan commonsense legislative proposals. Enacting these bills would help reduce impediments to capital formation at our nation's small businesses. If you have any questions or require additional information, please contact me or Jillian Pevo, NAFCU's Director of Legislative Affairs, at 703-842-2836 or jpevo@nafcuhq.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Carrie A. Hunt". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

cc: Members of the House Financial Services Subcommittee on Capital Markets and GSEs