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National Association of Federal Credit Unions | nafcu.org

September 7, 2016

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

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

The Honorable Paul Ryan
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: The National Credit Union Administration's Member Business Lending Rule

Dear Leader McConnell, Leader Reid, Speaker Ryan, and Leader Pelosi:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the federal interests of our nation's federally-insured credit unions, I write today to share information and insights about the National Credit Union Administration's (NCUA) member business lending (MBL) rule for credit unions. NAFCU strongly supports this rule, and we urge you to enact MBL legislation as soon as possible.

The banking trades have recently tried to distort the facts of the rule, even going as far as filing a legal challenge against it. This intimidation campaign, designed to scare away their competition, does not alter the truth. The fact is that NCUA's MBL rule does not change the Congressionally-imposed statutory cap on credit union member business lending established in the *Federal Credit Union Act* (FCU Act) as part of the *Credit Union Membership Access Act*. Currently, credit unions have a 12.25% asset cap on MBLs, with loans of only \$50,000 or less exempt from this cap. Passed in 1998, these arbitrary thresholds are severely outdated and have not increased with inflation. The MBL rule does not change that.

The banking trades claim credit unions' business loans threaten the business done by other financial institutions. This is simply untrue. What they did not tell you is that 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 indicates 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. Clearly, credit unions were making business loans when banks did not want to help.

What the MBL rule actually does is eliminate an unnecessarily bureaucratic process that has been in place for credit union member business loans that requires credit unions to seek NCUA approval (or a “waiver”) for basic and routine lending decisions. NCUA’s old MBL rule was overly complex, and seeking a “waiver” can be very time consuming and frustrating to small businesses as it leads to delays in funding.

NCUA’s willingness to remove this regulatory “red-tape” serves as a significant form of regulatory relief without exposing credit unions, or small businesses, to undue risk. The old bureaucratic MBL rule was an NCUA creation and was not based in statute. The new rule is a real form of regulatory relief for our nation’s small businesses more than anybody else, as it makes their process of obtaining credit easier.

NAFCU has long championed relief from the member business lending cap for credit unions. We strongly support legislation to provide relief from the cap, such as the *Credit Union Residential Loan Parity Act* (S. 1440/H.R. 1422), the *Credit Union Small Business Jobs Creation Act* (H.R. 1188), the *Small Business Lending Enhancement Act of 2015* (S. 2028) and legislation to exempt loans made to our nation’s veterans from the cap, H.R. 1133. We hope you will support these important bills to provide relief for credit unions and our nation’s small businesses. NAFCU continues to believe that credit unions deserve relief from this outdated and arbitrary cap, and urges additional action from Congress in this regard. We hope you will support these and other efforts to reduce regulatory burden for credit unions.

Thank you for the opportunity to share further information about this rule with you. We hope you will be willing to work with NAFCU to support this new rule, as well as work with us on any future legislation that would help ensure that credit unions have viable charters. Should you have any questions or need additional information about the proposal, please feel free to contact me or NAFCU’s Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,



Carrie R. Hunt

Executive Vice President of Government Affairs & General Counsel

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