



3138 10th Street North  
Arlington, VA 22201-2149  
703.522.4770 | 800.336.4644  
f: 703.524.1082  
nafcu@nafcu.org | nafcu.org

**National Association of Federally-Insured Credit Unions**

January 24, 2017

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

The Honorable Chuck Schumer  
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 Schumer, Speaker Ryan, and Leader Pelosi:

On behalf of the National Association of Federally-Insured 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 hope that you will too.

The banking trades have opposed this rule, and even filed a legal challenge to it. However, I am pleased to inform you that earlier today, in a victory for small businesses and credit unions, the U.S. District Court for the Eastern District of Virginia gave a scathing dismissal of the banker's frivolous efforts to derail this rule. The court recognized that the fact is NCUA was well within its authority in this rule. NCUA's MBL rule does not alter 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 their member business lending 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 Passed in 1998, these arbitrary thresholds are severely outdated and have not increased with inflation.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 a 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. We hope you will support 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 efforts 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 Senior Associate Director of Legislative Affairs, Chad Adams, at (703) 842-2265.

Sincerely,



Brad Thaler  
Vice President of Legislative Affairs

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