MCUL & Affiliates Governmental Affairs

Member Business Lending

2014

Federal Issue Brief

Background

America's small businesses are the engine of growth of our nation's economy. The effects of the sub-prime mortgage crisis have spread to all types of lending resulting in a reduction in the availability of business credit.

As Congress continues to consider ways to help the economy recover and create jobs, the MCUL & Affiliates and CUNA support an economic stimulus option that would create jobs without increasing government spending or the size of government: Raise the statutory cap on credit union member business lending. The cap on credit union member business lending (currently 12.25% of the total assets of the credit union) has no economic, safety and soundness or historical rationale. It was enacted in 1998, and after a decade, it is time to remove this arbitrary restriction.

Credit unions have been lending to their business-owning members for a century. Net charge-off rates for credit union business loans are lower than charge-off rates for business loans made by banks. At a time when banks are withdrawing credit from America's small businesses, credit unions have actually been expanding credit to small businesses. It makes economic sense to restore credit unions' full ability to lend to their business-owning members.

Effect

- Current MBL legislation would raise the MBL cap to 27.5% of total assets for credit unions that met the following five criteria:
  - The credit union has been near the limit for four consecutive quarters (80% of amount allowed);
  - The credit union is well capitalized;
  - The credit union has no less than five years of underwriting and servicing member business loans;
  - The credit union has strong policies and experience in managing member business loans;
  - The credit union satisfies other standards established by the NCUA to maintain the safety and soundness of credit unions.
- Representatives of the Obama Administration and the NCUA have publicly stated their support of this language.
- If the statutory cap on credit union business lending was increased to 27.5% of total assets, it is estimated that credit unions could make nearly **$13 billion in additional business loans in the first twelve months, creating 108,000 new jobs**.
- This represents significant economic stimulus that does not cost the taxpayers a dime and does not expand the size of government.
- New legislation would allow loans on residential apartment buildings to not count against business lending caps.

Status/MCUL Position

H.R. 688: Rep. Ed Royce (R-CA) in 2013 introduced the "Credit Union and Small Business Jobs Creation Act". This legislation would raise the MBL to 27.5% of total assets. H.R. 688 was referred to the House Committee on Financial Services. U.S. Representatives Gary Peters and Fred Upton signed on as original co-sponsors of H.R. 688. Additionally, Reps. Kerry Bentivolio, John Dingell, Bill Huizenga, Candice Miller, John Conyers, and Sander Levin have signed on as co-sponsors.

H.R. 4226: Rep. Ed Royce (R-CA) introduced the "Credit Union Residential Loan Parity Act" to treat credit union loans on apartment buildings the same as bank loans, removing them from the MBL cap.

S. 968: Sen. Mark Udall (D-CO) in 2013 introduced "Small Business Lending Enhancement Act of 2013". This legislation would raise the MBL to 27.5% of total assets. S. 968 was referred to the Committee on Banking, Housing and Urban Affairs. Sen. Carl Levin signed on as a co-sponsor of S. 968.

The MCUL & Affiliates strongly supports all three bills, and urges all of Michigan's congressional delegation members to co-sponsor H.R. 688, H.R. 4226, and S. 968, and work with leadership to achieve their passage.