National Credit Union Administration
1775 Duke Street
Alexandria, Va. 22314
www.ncua.gov

Office of Public &
Congressional Affairs
(703) 518-6330
pacamail@ncua.gov

NCUA Media Release

NCUA Supports House Bill Lifting Cap on Member Business Loans

H.R. 1418 Enhances Small Business Access to Credit and Diversifies Lending Portfolios

WASHINGTON (Oct. 12, 2011) – National Credit Union Administration (NCUA) Board Chairman Debbie Matz testified before the House Financial Institutions Subcommittee today on the significance of credit union lending to small businesses and a bill to enhance such lending. The testimony supports H.R. 1418, the Small Business Lending Enhancement Act, by Reps. Ed Royce, R-Calif., and Carolyn McCarthy, D-N.Y., lifting the cap presently constraining credit union member business lending.

"Credit unions are often the only lenders making small loans to expand an auto repair shop, start a daycare center, or open a bodega," Matz said. "H.R. 1418 would increase access to credit for small businesses in a way that prudently protects safety and soundness. As a result, NCUA supports H.R. 1418."

Under the bill, experienced, well-capitalized and well-managed credit unions could gradually increase member business lending portfolios, by no more than 30 percent annually, up to a new cap of 27.5 percent of a credit union's total assets. The present statutory cap establishes the aggregate limit on a credit union's net member business loan balance as the lesser of 1.75 times the credit union's net worth or 12.25 percent of total assets, with certain exceptions.

Matz recognized three tangible benefits of member business lending in her statement:

- It allows small businesses to obtain reasonably priced loans as a result of more competition;
- Prudent member business lending diversifies credit union portfolios; and
- It spurs job growth and expands consumer access to goods and services in communities.

However, Matz pointed out that the current statutory cap deters many credit unions from fully serving the small business community.

"More than one in five credit unions making member business loans that are subject to the cap have reached 50 percent or more of this ceiling," concluded Matz. "If Congress increases the current cap, NCUA would promptly revise our rules to protect credit union safety and soundness. NCUA would also remain vigilant in carrying out our supervisory authorities. The proposed bill, together with our responsible regulatory approach, would allow credit unions to prudently grow their member business lending and expand credit to small businesses."

- MORE -

A copy of NCUA's written testimony can be found at:
click here

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 91 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

- NCUA -