



NCUA Media Release

Matz: “NCUA Expands Small Business Access to Capital”

Initiative Could Nearly Double Number of Low-Income Credit Unions and Unlock Hundreds of Millions in Member Business Lending

ALEXANDRIA, Va. (Aug. 7, 2012) – More small businesses across America will have greater access to needed capital from federal credit unions through a National Credit Union Administration (NCUA) initiative to streamline the process for federal credit unions to receive a low-income designation (LICU). NCUA sent letters to more than 1,000 credit unions notifying them of their eligibility for the LICU designation today.

“With this initiative, we are cutting regulatory red tape and expanding access to capital for small businesses, which should translate into job creation,” said NCUA Board Chairman Debbie Matz. “Providing small businesses with the money needed to open their doors, create jobs, or expand operations will help our economy. This action is particularly timely for the 27 states devastated by this summer’s historic drought.”

One of the important benefits of the designation is the ability of LICUs to make unlimited member business loans. NCUA projects this initiative could unlock between \$250 million and half a billion dollars in new, near-term business lending if all qualified federal credit unions participate. The initiative could double the number of LICUs and increase their member business lending by nearly 75 percent.

Rather than waiting for credit unions to complete the required paperwork to become a LICU, NCUA today contacted 1,003 credit unions alerting them of LICU eligibility. Credit unions receiving letters may now “opt-in” with a simple reply that agrees to the LICU designation.

NCUA’s initiative was incorporated into a relief and recovery package for drought-stricken states announced at the White House today. Of the LICU-eligible institutions, 470 federal credit unions—representing 47 percent of potential new LICUs, 52 percent of potential new assets, and 54 percent of potential new members—are headquartered in states identified by the National Oceanic and Atmospheric Administration as having “extreme” drought conditions.

To qualify as a LICU, a majority of a federal credit union’s membership must meet low-income thresholds based on 2010 Census data. In addition to the exemption from the statutory 12.25 percent statutory cap on member business lending for credit unions, other advantages derived from the LICU designation include:

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- Eligibility for Community Development Revolving Loan Fund grants and low-interest loans,
- Ability to accept deposits from non-members, and
- Authorization to obtain supplemental capital.

“Member business lending by credit unions sensibly diversifies portfolios and fills a market need,” concluded Matz. “Credit unions often make the small business loans that other lenders avoid. A 2011 Small Business Administration-commissioned study also found that more than 80 cents of every dollar in credit union member business lending is an entirely new source of capital not available in the market today.”

The average member business loan for all credit unions is \$223,000.

For more information about the LICU designation initiative, [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 nearly 92 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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