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National Association of Federal Credit Unions | nafcu.org

April 13, 2016

The Honorable Steve Chabot
Chairman
Small Business Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nydia Velázquez
Ranking Member
Small Business Committee
U.S. House of Representatives
Washington, D.C. 20515

Re: Remove Barriers Preventing Credit Unions from Serving More Small Businesses

Dear Chairman Chabot and Ranking Member Velázquez:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the federal interests of our nation's federally-insured credit unions, I write today in conjunction with tomorrow's hearing, "Regulation: The Hidden Small Business Tax." NAFCU appreciates your leadership in holding this important hearing and looks forward to working with the committee to find ways to eliminate expensive and unnecessary regulatory burdens on our nation's small businesses.

As you may be aware, credit unions are among the most heavily regulated entities in the financial services industry. Like many small businesses, the need for regulatory relief for credit unions is great. Credit unions are struggling from costs associated with compliance, stemming from the relentless regulatory burdens imposed by federal agencies, particularly those with direct jurisdiction over credit unions, including the National Credit Union Administration (NCUA) and Consumer Financial Protection Bureau (CFPB). Every dollar spent on compliance is a dollar that is not being loaned to a consumer or small business.

The impact of this growing regulatory burden is evident as the number of credit unions continues to decline. Since the second quarter of 2010, we have lost nearly 1,300 federally-insured credit unions – over 17% of the industry. The overwhelming majority of these were smaller institutions below \$100 million in assets.

Credit unions are often forced to merge or simply shut their doors as a result of an inability to cope with regulatory burdens. While credit unions were not the cause of the financial crisis, they are still subject to the CFPB and many regulations intended for those that did. Consequently, finding ways to cut-down on burdensome and unnecessary regulatory compliance costs is a chief priority of our members. There is an urgent need for Congress to enact meaningful regulatory relief for credit unions.

Credit unions have been and continue to be an important resource to our nation's small businesses and entrepreneurs. As a result of the close relationships credit unions maintain with their members, credit unions are often willing to assist their members in their entrepreneurial

endeavors when other lenders refuse. In fact, during the economic crisis, while many lenders reduced their lending to small businesses, credit unions increased their lending to small businesses when they needed it most.

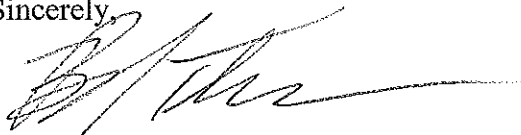
Credit unions are ready, willing and able to assist our nation's entrepreneurs through their business lending programs and facilitating Small Business Administration programs. Unfortunately, credit unions are hampered in their pursuit to assist entrepreneurs because of an arbitrary cap on the credit they are able to extend to small businesses. As credit unions move closer to the business lending cap, they are forced to not only turn away new small businesses but also in some cases curtail their lending to small businesses they are currently serving. Additionally, the business lending cap serves as a barrier to entry for credit unions that wish to establish a business lending portfolio in response to the credit needs of entrepreneurs in their communities.

It is with this in mind that NAFCU asks committee members to support bipartisan efforts to provide relief from the credit union member business lending cap, such as H.R. 1188, the *Credit Union Small Business Jobs Creation Act*, H.R. 1422, the *Credit Union Residential Loan Parity Act*, and H.R. 1133 to exempt loans made to veterans from the cap. Enacting these bills will enable credit unions to respond to the credit needs of entrepreneurs and help them establish and grow their businesses.

NAFCU is pleased that the need for regulatory relief for small businesses such as credit unions has bipartisan recognition. We urge you to work together to ultimately enact substantial regulatory relief for credit unions. NAFCU members are on the front lines of this battle and can provide ground level insight into the struggles facing the credit union industry in the current regulatory environment. NAFCU stands ready to assist you in your efforts and hopes you will not hesitate to contact us if we can be helpful in any way. Again, NAFCU looks forward to working with you as you look for ways to provide regulatory relief and work towards economic growth and prosperity.

Thank you for your attention and consideration. Should you have any questions or require any additional information please contact me or Chad Adams, NAFCU's Associate Director of Legislative Affairs, at 703-842-2265 or cadams@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Thaler', with a long horizontal flourish extending to the right.

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Small Business Committee