

**Statement of Sen. Charles Schumer
Credit Union Member Business Lending Bill
June 16, 2011**

Thank you Mr. Chairman. I want to thank you for holding this important hearing, on an issue I have cared deeply about for some time now: lifting the artificial restraints we currently place on the ability of credit unions to help small businesses access much-needed credit.

As we heard in testimony from Chairman Matz and Mr. Cheney today, credit unions have been engaged in member business lending since their creation. And only since 1998 have they been subject to this arbitrary cap on their business lending, which effectively limits each credit union's business lending to no more than 12.25% of their total assets.

In the past 2 Congresses I have introduced bills that would raise or eliminate this cap. Last Congress, my good friend from Colorado, Senator Mark Udall, took up the cause with a bill to raise the cap to 27.5% of total assets as long as certain criteria to ensure safety and soundness are met. He has reintroduced his bill this Congress, with bipartisan support and a total of 19 co-sponsors, including Senators Reed and Brown on the Banking Committee.

I want to say a few words about the bill and encourage all of my colleagues to support this common sense way to *immediately* increase the amount of credit available to small businesses – *at no cost to the taxpayer*.

We just came through the worst credit crunch any of us have ever seen, and access to credit is still a significant issue for small businesses in NY and all over the country. Even through the downturn, credit unions have continued to increase their business lending, but they are limited in their ability to do more. Senator Udall's bill will provide a much-needed boost to help small businesses expand and hire.

In the Fall, Congress passed, and the President signed into law, a bill to help small businesses that included a \$30 billion fund to help community banks increase their lending to small businesses. I strongly supported the creation of that Small Business Lending Fund, but Senator Udall and I and others fought to include his legislation for credit unions in that bill. We ultimately did not prevail. Well, nearly 9 months later that \$30 billion fund has barely been put to work.

I hold out hope that the Fund will be put to good use easing the burden on small businesses, but credit unions are waiting to fill the gap, and I don't see why we should unnecessarily limit ourselves – credit unions

are an important source of credit for individuals and small businesses in this country, and it's important that we ask what they can do to help get our economy grow again.

When the idea for the Member Business Lending bill was originally proposed, some concerns were raised about safety and soundness of the credit unions themselves, their members, and the credit unions' insurance fund. So my office worked with Senator Udall's staff and the Treasury and NCUA to come up with a plan that would address those concerns.

- First, the cap is only raised for credit unions that meet strict eligibility criteria. To qualify, credit unions must be well capitalized, demonstrate sound underwriting and servicing based on historical performance, have strong management and policies to manage increased lending, and be approved by their regulator for the higher cap.
- They must also be at or above 80% of their current cap, with 5 or more years of experience lending to member businesses. This means that only credit unions with significant experience lending to small businesses will have their cap raised, and it is targeted at

those credit unions most likely to expand their lending because they are at or near the existing cap.

- Even if they meet the criteria, credit unions can't grow their lending by more than 30% in any one year, and their regulator can make them grow even slower. That will ensure that credit unions don't grow their business faster than they can handle.

Based on conservative estimates, this amendment could lead directly to over \$12 billion in new lending and create up to 140,000 new jobs. In my home state of New York, it could create over \$1 billion in new lending and up to 9,000 new jobs. And it does all that at **NO COST** to the federal government.

Certainly this is not a cure-all for our economy. But with small businesses still struggling to get the credit they need, it seems to me that we should be trying everything we can to increase lending. And this amendment does it in a sensible way, to ensure safety and soundness are preserved in the system, and, I repeat, without costing any taxpayer money.

In short, this just makes sense and I urge my colleagues to support the legislation sponsored by my friend from Colorado.