

Statement of Senator Richard C. Shelby
Committee on Banking, Housing and Urban Affairs
June 16, 2011

- Thank you, Mr. Chairman.
- Historically, credit unions have focused on meeting the savings and credit needs of their members, especially people of modest means.

- In recognition of this unique role, credit unions, unlike banks, have been tax-exempt.
- Today, the Committee will examine whether credit unions should be allowed to lend to businesses.
- This is not the first time the issue of business lending by credit unions has come before this Committee.

- In 1998, this Committee passed, and Congress eventually enacted, legislation that placed significant restrictions on business lending by federally insured credit unions.
- At that time, the number of business loans made by credit unions was quite small.

- In fact, a report of this Committee that accompanied that legislation acknowledged that consumer loans made up nearly 99 percent of all credit union lending.
- Nevertheless, Congress limited business lending in order to prevent excessive risk-taking by credit unions.

- A report by the National Credit Union Administration had found that business lending caused half of the losses to the National Credit Union Share Insurance Fund in the two prior years.
- Additionally, in 1991 another report found that failing credit unions had made more business loans than other credit unions.

- Now, the ongoing credit crisis has prompted some to propose increasing the business lending limit.
- The credit crunch is a problem of concern to us all.
- As we examine this issue, however, we should first ask why credit is so hard to obtain.

- In particular, how has the Dodd-Frank Act affected credit availability?
- Alternatively, is the unprecedented Federal deficit crowding out private sector lending?
- If we want to address the problem of credit availability to small businesses, a more comprehensive approach may be appropriate.

- In addition, we should ask how changing business lending limits would affect the safety and soundness of credit unions.
- Even with the current limitations on business lending, we continue to see credit union failures.

- Recently, the NCUA announced the 13th closure or conservatorship of a credit union this year. Over the last two years, 55 credit unions have failed.
- I hope to learn today whether business lending was a contributing factor in any of these failures.

- Changing the business lending limitations can alter the competitive landscape not only between banks and credit unions, but also among credit unions.
- Although they are not here today, we will need to hear from the bank regulators so that we can fully understand the effect such a change would have on the entire industry.

- Ultimately, healthy and strong credit unions are good for our economy and consumers. It is my hope that today's hearing will shed more light on how we can ensure that credit unions continue to serve their unique and important role in the nation's economy.
- Thank you, Mr. Chairman.