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# Borrowers may turn to credit unions

## Lending cap increase could lead to jobs

In today's economic climate, small business owners and real estate investors are struggling to access the credit they need.

Since 1998, credit unions have been constrained by a cap that limits the amount of small business loans they can make to 12.25 percent of total assets. This limitation has restricted credit unions in providing loans to their customers. However, the fight to ease this restriction is gaining momentum nationwide. Two bills, H.R. 3380 and S. 2919, currently before Congress are garnering bipartisan support.

The legislation would raise the lending cap from 12.25 percent of total assets to 25 percent. The Credit Union National Association (CUNA) estimates that this increase would provide \$10 billion in new small business loans and at least 108,000 new jobs by helping small businesses

grow.

In Georgia, these changes would mean more than 2,800 jobs and more than \$253 million in new member business credit just in the first year after passage, according to CUNA.

Most economists agree that small businesses are the backbone of the American economy and will play a major roll in the recovery. According to U. S. Department of Labor statistics, businesses with fewer than 100 employees accounted for about 45 percent of job growth from 1992 to 2008. However, small businesses are finding it difficult to access the credit they need to sustain their viability and grow.

Businesses that have never before had difficulty obtaining a loan are now looking for additional sources for funding other than banks. The Federal Reserve Board's July 2009 Senior Loan Officer Opinion Survey reports that 34 percent of banks are tightening their standards for small business lending. The stricter lending guidelines have resulted in a



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drop in commercial lending by banks.

"Many credit unions have experienced a dramatic increase in loan requests from small businesses," says Robert Dyal, vice president of

lending and business services for Robins Federal Credit Union. Credit unions stand ready to provide the help small businesses need and can't find from other sources.

It sounds like an easy decision on a win-win situation.

"If we're going to rebuild our economy, we have to unlock the credit market so businesses on Main Street can make payroll, buy inventory and expand," says Sen. Mark Udall, D-Colo., sponsor of one of the bills. "By increasing access to credit union loans, small businesses across the country will be able to expand, and create thousands of jobs."

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