



AMERICANS
for TAX REFORM



December 23, 2008

The Honorable Barack Obama
President-Elect
451 6th Street N.W.
Washington, D.C. 20004

Dear Mr. President Elect:

We are a diverse group of organizations with very different views about the wisdom and potential consequences of the economic stimulus package you intend to propose. We do, however, wish to speak with one voice on a proposal we think will play a modest but important role in getting the economy moving again. In particular, we believe you should strongly consider measures to make it easier for credit unions to expand lending to their business members.

As you know, current regulations limit credit unions to lending 12.25 percent of total assets to businesses. The Credit Union National Association has estimated that its proposals for lowering the cap will inject \$10 billion into the economy. We do not endorse this particular figure but do know that anything that frees up capital for lending to businesses is a good idea that will have consequences similar to what you hope a government-induced economic stimulus will accomplish. Consider the following facts:

- Credit unions have continued to lend even when banks have cut back. Credit union business lending, indeed, was the only major category of lending that grew during 2008. This happened because credit union members wanted more loans. With more ability to lend, credit unions will lend more and increase the amount of capital in the economy.
- Credit unions play a vital role in lending to underserved communities and small businesses. A large percentage of credit union business lending supports African-American and Latino-owned businesses.
- A disproportionate share of the businesses supported by credit union lending are engaged in complex fields where making loans requires specialized, insider knowledge. Not coincidentally, many of these fields—"green" agriculture and transportation to take just two examples—are the same fields you wish to target through a stimulus package.

Easing reserve requirements for credit union member business lending will not cost taxpayers anything. In fact, it will increase revenues since loan recipients and credit union members pay taxes on the revenues that result from the lending. Quite simply, expanding credit union business lending is a no-lose proposition: it will get the economy moving at no cost to the taxpayers. We urge you to support it.

Yours truly,

Eli Lehrer
Senior Fellow
The Competitive Enterprise Institute

Brent A. Wilkes
National Executive Director
League of United Latin American Citizens

Grover Norquist
President
Americans for Tax Reform