January 17, 2017

Presidential Transition Team
1800 F Street NW, Room G117
Washington, DC 20270

Dear President-Elect Donald Trump and Vice President-Elect Mike Pence,

As conservative, libertarian, and free-market organizations concerned about government regulatory overreach, we applaud the steps you and your transition team are taking to root out regulations that provide little value and obstruct job growth. Many of us have provided your team with our own lists of horrific rules that your administration should halt.

Yet it has come to our attention that some may be recommending that you repeal a bipartisan deregulatory measure that advances our goals of less government of and more freedom. We urge you to preserve the member business-lending rule of the National Credit Union Administration (NCUA).

In 1998, then-President Bill Clinton signed legislation that unwisely capped the amount of business loans credit may make to members to 12.25 percent of the credit unions' assets. And Clinton's regulations went beyond what the law requires to limit the loans credit unions may make to non-member businesses as well. For years, many Center-Right groups, as well lawmakers such as Sen. Rand Paul (R-KY) and Reps. Darrell Issa (R-CA) and Bill Posey (R-FL), have supported bipartisan efforts to loosen arbitrary limits on business lending by credit unions.

In March of this year, the NCUA, with unanimous support from members of both parties, relaxed this rule so that the cap no longer applied to business loans outside credit unions' membership. The new rule also reduces many burdensome paperwork requirements. But some bank lobbyists are pushing to rescind this rule, because they don't want their credit union competitors to be free of this red tape.

We recognize that America's banks face enormous burdens from the Dodd-Frank mandates, burdens hat harm credit unions as well. But with regard to the NCUA rule, we urge you to reject the bank lobby's overtures, and stand with the Center-Right coalition and American small business in supporting this deregulatory rule.

The big winners from this recent rule will be small business entrepreneurs— the real job creators responsible, according to several studies, for the bulk of net new jobs. Many of these entrepreneurs have a difficult time getting capital elsewhere. According to Pepperdine University economist David M. Smith, "credit unions grant a greater percentage of business loans to small business owners" than banks do. Yet Smith finds that credit unions have overall success and failure rates for their business loans that are virtually the same as those of banks.

This rule would also advance your goals of strengthening domestic energy and manufacturing and helping veterans. Many prominent credits unions were formed by employees of energy companies and manufacturers such as General Electric, Chevron and Dow, and since two of the largest credit unions focus their efforts largely on military populations, veteran-owned businesses are also likely to reap particularly large benefits.

We urge you to give your full backing to this rule, as well as join many Republicans in Congress in supporting bipartisan legislation to further deregulate business lending by credit unions.

Sincerely,

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