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July 17, 2013

5/8/2012 3:25:00 PM

Credit unions wait for lending pipeline to open

Maria Hoover
Features Editor



Carolina Decker: CU Community Credit Union is stuck until legislators act.



Brian Roy: BluCurrent will likely hit its business lending cap in the next year.

Determining whether CU Community Credit Union has any money to lend to businesses is a monthly exercise for Carolina Decker, vice president of lending.

Under current federal regulations, credit unions' commercial lending is capped at 12.25 percent of assets – and CU Community Credit Union is nearing its limit.

“Your cap changes every month as you add deposits and assets,” Decker said. “If we get some pay-downs or payoffs or we grow our assets, I have a little money to help folks. If we don't, I don't.”

In 2011, two U.S. bills – Senate Bill 509 and House Resolution 1418 – proposed raising the cap to 27.5 percent, but they didn't gain legislator approval.

Now, another bill, S. 2231, is slowly winding its way through the legislative process. The last action taken – on March 26 – placed the bill on the Senate legislative calendar under general orders, but no date has been set for legislators to take up the measure, according to the Library of Congress bill tracker at Thomas.loc.gov.

At CU Community Credit Union, Decker said assets in March were \$74 million, which put its cap at roughly \$9.06 million. Decker said with what's already on the books and what the credit union has committed to close in the next month, the cap at that asset level is tapped out – unless assets grow, other loans are paid off or the legislators act.

“We're stuck until a decision is made or that bill is brought to the floor for a vote,” Decker said, noting that she often has to turn away would-be business borrowers.

At BluCurrent Credit Union, which launched its business lending services department about a year ago, the need for a higher cap is less pressing, but the issue is something the institution is keeping tabs on, said Brian Roy, vice president of business lending services.

Though BluCurrent's asset base of roughly \$130 million puts its business lending cap at \$15.9 million, Roy said credit union leadership is working with a self-imposed cap of roughly \$15 million to make sure the institution doesn't exceed the maximum. Roy said BluCurrent's business loan volume is just more than \$6 million.

“Probably, for the stuff that I have in the pipeline, by midyear, we'll be at \$10 million, so we're moving along fairly quickly,” Roy said. “At the rate we're going, we feel like at this time next year, we'll be maxed out.”

At that point, Roy said, potential business borrowers would be relegated to a waiting list.

The push for a higher credit union business lending cap isn't without opposition.

Members of Independent Community Bankers of America, a national group that represents the interests of more than 7,000 community banks of all sizes, met with legislators April 25 during ICBA's annual Washington Policy Summit to speak out

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against S. 2231. According to an ICBA news release, the organization maintains the current cap is not arbitrary and is designed to keep credit unions focused on their original tax-exempt mission to lend to consumers of modest means.

The group argues that increasing commercial lending capabilities for credit unions would be harmful to community banks and reduce their taxable lending activities, the release said.

Decker noted that often banks may not be interested in the business borrowers served by credit unions.

That was the case for Shane Rudminat, owner of Grace Vending LLC in Springfield. Last year, Rudminat spoke with lenders at two banks about financing the expansion of his business, but he didn't get any traction with them. He said he had some personal accounts with BluCurrent and spoke with Roy about a year ago regarding options with the credit union. Rudminat was able to secure a loan for more than \$100,000 to buy out a partner and purchase a competitor, he said.

"It was just extremely complicated to go through a regular bank," Rudminat said, noting that Roy was instrumental in leading the company through the financing process.

"Obviously, there were steps we had to take and information we had to provide, but overall, it was a better choice to go with BluCurrent."

Now, Grace Vending has roughly 200 vending machines throughout the Ozarks, and it has grown from a side business to Rudminat's full-time job.

"It just got to a point where the business could sustain me and my family, and it's just grown from that point," Rudminat said, noting that since the original loan, he's returned to BluCurrent to finance business vehicles and other needs.

Decker said CU Community Credit Union is among several credit unions statewide working with the Missouri Credit Union Association in a grassroots effort to showcase credit unions' business lending and its economic impact.

"Small business is the backbone of America," Decker said. "That's where job creation starts, so every month that I turn somebody away, that's impactful for my community," she said. "There are a lot of folks who want to grow and want to do new things, or need help, and we can't meet their needs."

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