



February 6, 2012

Dear Member of Congress:

This week the credit union industry will be more aggressively pressing Members of Congress to support H.R. 1418, introduced by Representative Ed Royce (R-CA). The American Bankers Association (ABA) and the Independent Community Bankers of America (ICBA) are adamantly opposed to H.R. 1418 and urge Congress to oppose any efforts to bring this legislation up for consideration.

A new breed of large credit unions are using small businesses and traditional credit unions, chartered to serve people of modest means, as fronts to more than double their business lending cap from 12.25 percent of a credit union's total assets to 27.5 percent. H.R. 1418 would help this new breed of large, growth-oriented credit unions by allowing them to abandon their tax-subsidized mission of serving people of modest means. This was not Congress' intent when they implemented a business lending cap on credit unions and we urge you to reject any attempts to remove the cap.

As you may know, the credit union industry has attempted to get this legislation passed for many years. They portray this legislation and previous bills as an effort to help both small businesses and the entire credit union industry. That portrayal is grossly inaccurate. In fact, the primary beneficiaries of expanded business lending authority are just a handful of the largest, most aggressive credit unions that have abandoned their mission. Most concerning, H.R. 1418 would simply exacerbate an already unlevel playing field by increasing the ability of large, tax-subsidized credit unions to seize small business lending from taxpaying banks – the bread and butter of community banks across the country. This would be an added blow to the viability of community banks on top of the onerous regulatory burdens and costs these institutions are already bearing. It also would reduce tax revenues to the federal government and state governments and increase the deficit at the very time Congress is looking for ways to reduce it.

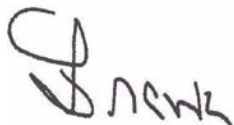
The substantial tax, regulatory, and statutory advantages that credit unions currently enjoy are meant to be an incentive for credit unions to make credit available to consumers of modest means. Congress recognized that business lending is fundamentally different from consumer lending. The restrictions Congress placed on the ability of credit unions to make business loans reflect the reality that business lending poses greater risks than secured lending to individuals. Hence, blowing open the business lending restrictions Congress put into place will only increase the risk exposure of these credit unions to the credit union insurance fund (the National Credit Union Share Insurance Fund, or "NCUSIF").

The facts are clear and demonstrate that this legislation is not necessary. The existing Congressionally mandated cap on business lending at 12.25 percent of assets impacts very few credit unions other than the largest credit unions that wish to be "bank-like," but without the obligation to pay taxes. Notably, only 29 credit unions out of nearly 7,200 are at or near the statutory limit. ***In other words, 99 percent of credit unions have more than enough authority and lending capacity to make additional loans to small businesses today, yet have chosen not to do so. And of course all credit unions can make as***

many business loans as they desire that are not subject to any cap – including all loans of \$50,000 or less and any Small Business Administration loan.

The American Bankers Association and the Independent Community Bankers of America strongly urge you to oppose H.R. 1418 and to reject any attempts to move this legislation. Congress has rejected this unwarranted power grab by the tax-exempt credit unions for a decade because it is bad policy, and should do so again.

Sincerely,



Frank Keating
President and CEO
American Bankers Association



Camden R. Fine
President and CEO
Independent Community Bankers of America