

September 23, 2021

The Honorable Vicente Gonzalez  
Member of Congress  
113 Cannon House Office Building  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Brian Fitzpatrick  
Member of Congress  
271 Cannon House Office Building  
United House of Representatives  
Washington, D.C. 20515

Dear Representatives Gonzalez and Fitzpatrick:

We write to express our opposition to H.R. 5189, the “Member Business Loan Expansion Act, legislation that your recently authored that would substantially broaden the tax-exempt credit union industry’s business lending authority.

Restrictions on the ability of credit unions to engage in business lending are not a constraint to meeting business credit needs, and America’s banks remain opposed to all efforts to change them. Congress has repeatedly emphasized the need for credit unions to focus their efforts on consumer lending and has placed appropriate limits on credit union business lending “to ensure that credit unions continue to fulfill their specified mission of meeting the credit and savings needs of *consumers*... through an emphasis on *consumer rather than business loans*.” (Senate Banking Committee Report 105-193) (emphasis added.) A mandate to focus on consumers makes sense—after all, credit unions are exempt from federal and most state income taxes specifically to help meet the credit and savings needs of people of modest means.

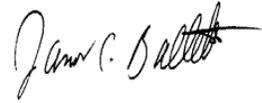
This legislation would further erode the restrictions on credit union business lending in three important ways. First, the legislation would change the terms under which credit unions may offer business loans, making it easier for credit unions to underwrite commercial real estate projects by enabling longer repayment periods. Second, the legislation would directly undermine the asset cap on credit union business lending by doubling the exemption for small loans, despite only two-tenths of one percent of the industry approaching the statutory limitation. Third, the legislation expands credit union access to low-cost sources of funds for, among other things, business loans. Each of these will have the effect of fueling further credit union business lending expansion, all indirectly financed by their tax-exempt status.

Congress placed purposeful limitations on the percentage of a credit union’s assets that can be comprised of business loans to prevent the credit union tax subsidy from being used to support large business loans for apartment buildings or strip malls, the need for which is already met by tax-paying financial institutions. The small loan exemption is likewise tailored to ensure that credit unions have sufficient lending authority to meet the credit needs of their members, without allowing them to stray from their congressionally mandated mission of serving people of modest means. This proposed legislation threatens to undermine those carefully crafted guardrails.

Congress should focus efforts on ensuring that credit unions live up to their chartered mission of service to consumers of “small means,” and we encourage you to reconsider and refocus your

proposed legislation on mechanisms to ensure that the credit union industry fulfils its important purpose. We respectfully oppose this legislation as currently drafted.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Ballentine". The signature is written in a cursive style with a long horizontal flourish extending to the right.

James C. Ballentine