

June 11, 2015

The Honorable Harold Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nita M. Lowey
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Rogers and Ranking Member Lowey:

On behalf of the undersigned financial services trade associations representing more than 6,000 taxpaying commercial banks, we write to express our strong opposition to credit union efforts to amend the Financial Services Appropriation Act for FY 2016. The credit union proposal is a backdoor increase in the member business lending (MBL) cap, a change the credit unions have sought for more than a decade. It would result in a revenue loss to the U.S. Treasury and increase the federal budget deficit. The proposal has not been considered or debated before the Committee of jurisdiction. We strongly urge you to reject this very controversial proposal.

Credit unions were created and given a tax subsidy for the purpose of serving individuals of modest means with a common bond, primarily through consumer lending. To ensure adherence to this mission, Congress imposed a cap on member business loans of 12.25 percent of assets. The cap includes many exemptions, including any loan fully secured by a 1-to-4 family dwelling **that is the primary residence of a credit union member**. This exemption allows a member to tap their home equity to finance a business. The proposal being suggested by credit unions would expand the exemption significantly by removing the condition the 1-to-4 family dwelling be a member's primary residence. In effect, it allows rental housing loans to be exempt from the cap.

Rental housing loans are business loans; their purpose is to generate income. They are clearly distinct from consumer lending for which credit unions were created. Congress must not allow credit unions to further encroach into business lending, altering the fundamental character of their charter and expanding their already significant tax subsidy. At a minimum, a change of this significance should not be considered without observing regular order and appropriate debate.

We urge you not to be misled by the argument that the proposal would merely create parity in loan classifications between credit unions and commercial banks. Banks classify loans secured by non-owner occupied 1-to-4 unit dwellings as real estate loans **on their call reports**. The call report and the MBL cap cannot be meaningfully compared. What's more, banks are taxed while credit unions are tax subsidized. This critical distinction should guide all consideration of credit union powers expansion initiatives.

We urge the committee to reject this controversial effort to amend the Financial Services Appropriation Act.

Sincerely,

American Bankers Association
Independent Community Bankers of America

cc: House Appropriations Committee
House Financial Services Committee