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*President and CEO*

March 3, 2011

The Honorable Harry Reid  
Senate Majority Leader  
U.S. Senate  
Washington, DC 20510

The Honorable Mitch McConnell  
Senate Minority Leader  
U.S. Senate  
Washington, DC 20510

Dear Majority Leader Reid and Minority Leader McConnell:

On behalf of the nearly 5,000 community bank members of the Independent Community Bankers of America (ICBA), I am writing to express strong opposition to any credit union proposal that would significantly expand the powers of taxpayer-subsidized credit unions in future legislation.

Credit unions are renewing efforts to raise the cap on “member business loans” that a credit union can make to 25% or more of assets (up from 12.25%); increase the size of loans exempt from the cap; exclude any loan made in an “underserved area”; and repeal certain lending restrictions on undercapitalized credit unions, raising new safety and soundness concerns.

Notably, the call to increase the credit union business lending cap is not even necessary if the broad credit union sector is simply interested in expanding their lending. Only a handful of the very biggest, most complex credit unions (less than 45 or 0.05%) of the nation’s 7,600 credit unions are even at or near the lending cap. Furthermore, Small Business Administration loans, as well as any small business loans of \$50,000 or less, are exempt from the cap. Therefore, there is already ample capacity for credit unions to expand their lending if they choose to do so.

Any expansion of commercial lending by tax-exempt credit unions would simply displace lending by the taxpaying financial sector and reduce tax revenue to struggling federal, state, and local governments. Credit unions were granted tax-free status to help them serve individuals of modest means, not to get into business and commercial lending. According to the independent Tax Foundation, the credit union tax subsidy already exceeds \$3 billion per year. So increasing the legal business lending cap on credit union member business lending would only increase the taxpayer subsidy and further undermine its original policy purpose.

ICBA has consistently expressed its opposition to expanding credit unions’ commercial lending powers. Credit unions were created by Congress, and given tax and regulatory advantages (they are not subject to the Community Reinvestment Act like taxpaying community banks) for the purpose of serving individuals of modest means. It is doubtful

that Congress, in passing the Federal Credit Union Act of 1934, ever envisioned credit unions making commercial loans.

The continued pursuit of expanded commercial lending powers calls into question the credit union industry's commitment to their tax-exempt mission and ability to serve the needs of lower income and un-banked populations. Study after study has shown that credit unions do not achieve their statutory mission of serving people of small means, and community banks actually do a better job of serving lower income groups. Credit unions should demonstrate they are meeting the basic statutory mission that Congress spelled out for them before attempting to expand their powers into more complex and specialized fields while receiving a tax subsidy.

Thank you for this opportunity to express the view of our nation's community bankers.

Sincerely,

/s/

Camden R. Fine  
President and CEO

cc: U.S. Senate