

July 12, 2010

The Honorable Harry Reid  
Majority Leader  
U.S. Senate  
S-221, The Capitol  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Minority Leader  
U.S. Senate  
S-230, The Capitol  
Washington, D.C. 20510

Dear Majority Leader Reid and Minority Leader McConnell:

Senator Mark Udall (D-CO) has proposed an amendment (No. 4443) to the Small Business Jobs and Credit Act of 2010 (H.R. 5297) that is expected to be considered on the Senate floor this week. The amendment increases the business lending cap from 12.25 percent of a credit union's total assets to 27.5 percent for certain, mainly larger, credit unions. The American Bankers Association (ABA) and the undersigned trade associations strongly urge the Senate to oppose this amendment.

The primary beneficiaries of expanded business lending authority are the large, aggressive, growth-oriented credit unions that have abandoned their mission of serving people of small means. The Udall amendment adds to an already unlevel playing field by increasing the ability of large, tax-advantaged credit unions to take small business lending away from banks – the bread and butter of community banks across the country. This would be an added blow to the viability of community banks that comes on top of the regulatory burdens and costs that are included in the Dodd-Frank regulatory restructuring bill.

Increasing the business lending cap and expanding these credit unions' already broad authority would substantially increase the risk exposure of credit unions and result in credit unions straying further from their traditional mission of serving consumers, especially those of modest means. Most importantly, the amendment sought by Sen. Udall and the credit union industry would only impact a handful of credit unions. *In fact, only a very small number of the nearly 7,600 credit unions would be directly impacted because they are at or near their Congressionally mandated 12.25 percent lending cap.*

When Congress passed the Credit Union Membership Access Act of 1998 (CUMAA) to protect consumers served by credit unions, it imposed a limit of 12.25 percent of total assets on business lending. Congress made its intent clear. The legislative history for CUMAA explained that the business lending restrictions:

...are intended to ensure that credit unions continue to fulfill their specified mission of meeting the credit and savings needs of consumers, especially persons of modest means, through the emphasis on consumer rather than business loans. The Committee action will prevent significant amounts of credit union resources from being allocated to large commercial loans that may present additional safety and soundness concerns for credit unions and that could potentially increase the risk of taxpayer losses through the National Credit Union Share Insurance Fund. (Senate Report 105-193, May 21, 1998, pp. 9-10)

The substantial tax and regulatory statutory benefits that credit unions currently enjoy are meant to be an incentive for credit unions to make credit available to consumers of modest means. Instead of furthering this goal, any increase in the business lending cap will simply allow credit unions to stray further from their traditional mission. In recent years, a series of studies by the Government

Accountability Office (GAO), the Woodstock Institute in Chicago, and the National Community Reinvestment Coalition show large credit unions are failing in their mission to serve people of modest means. As the GAO reported in November 2006, credit unions lag banks in their service to low- and moderate-income customers.

Additionally, 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, modifying the business lending cap will only increase the risk exposure of these credit unions.

ABA and the undersigned associations urge you to oppose the Udall amendment and any other amendment increasing the cap on credit union business lending.

Sincerely,

American Bankers Association	Missouri Bankers Association
Alabama Bankers Association	Montana Bankers Association
Alaska Bankers Association	Nebraska Bankers Association
Arizona Bankers Association	Nevada Bankers Association
Arkansas Bankers Association	New Hampshire Bankers Association
California Bankers Association	New Jersey Bankers Association
Colorado Bankers Association	New Mexico Bankers Association
Community Bankers Association of Ohio	New York Bankers Association
Connecticut Bankers Association	North Carolina Bankers Association
Delaware Bankers Association	North Dakota Bankers Association
Florida Bankers Association	Ohio Bankers League
Georgia Bankers Association	Oklahoma Bankers Association
Hawaii Bankers Association	Oregon Bankers Association
Heartland Community Bankers Association	Pennsylvania Bankers Association
Idaho Bankers Association	Puerto Rico Bankers Association
Illinois Bankers Association	Rhode Island Bankers Association
Illinois League of Financial Institutions	South Carolina Bankers Association
Indiana Bankers Association	South Dakota Bankers Association
Iowa Bankers Association	Tennessee Bankers Association
Kansas Bankers Association	Texas Bankers Association
Kentucky Bankers Association	Utah Bankers Association
Louisiana Bankers Association	Vermont Bankers Association
Maine Association of Community Banks	Virginia Bankers Association
Maryland Bankers Association	Washington Bankers Association
Massachusetts Bankers Association	Washington Financial League
Michigan Bankers Association	West Virginia Bankers Association
Minnesota Bankers Association	Wisconsin Bankers Association
Mississippi Bankers Association	Wyoming Bankers Association

Cc: Banking Committee Chairman Christopher Dodd  
Banking Committee Ranking Member Richard Shelby  
Members of the U.S. Senate