

April 14, 2011

The Honorable John Boehner
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Speaker Boehner and Minority Leader Pelosi:

On April 7, 2011, Representative Ed Royce (R-CA) introduced legislation (H.R. 1418) to increase the business lending cap of credit unions from 12.25 percent of a credit union's total assets to 27.5 percent for a segment of large, fast-growing credit unions. The American Bankers Association (ABA) and the undersigned state bankers associations strongly urge the House of Representatives to oppose any attempts to consider H.R. 1418 as stand-alone legislation or as an amendment.

The credit union industry has attempted to get this legislation passed for many years. They have portrayed this legislation and previous bills as an effort to help both small businesses and the entire credit union industry. That is incorrect. Here are the facts. 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 Royce bill would simply add 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 on top of the regulatory burdens and costs that are included in the Dodd-Frank regulatory restructuring bill.

Increasing the business lending cap 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 legislation sought by Rep. Royce and the credit union industry would impact only a handful of credit unions. *In fact, only a very small number of the nearly 7,600 credit unions would directly benefit because only 31 credit unions 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.

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 Rep. Royce's legislation and any other attempts to increase 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 Bankers Association	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: Members of the House of Representatives