

June 8, 2011

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
Washington, DC 20510

Dear Majority Leader Reid and Minority Leader McConnell:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America as well as its partner state community banking associations, **we are writing to express strong opposition to the Small Business Lending Enhancement Act of 2011 (S. 509)**. Introduced by Senator Mark Udall (D-CO), this bill would significantly expand the powers of taxpayer-subsidized credit unions by more than doubling the cap on "member business loans" from 12.25 percent to 27.5 percent of a credit union's assets.

Only a handful of the very largest, most complex credit unions (fewer than 45 or 0.05% of the nation's 7,600 credit unions) are at or near the current lending cap. Furthermore, Small Business Administration loans, as well as any small business loan 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.

Credit union lending comes at a cost to taxpayers. Any expansion of commercial lending by tax-exempt credit unions would simply displace lending by taxpaying community banks and other lenders and reduce tax revenue to struggling federal, state, and local governments. According to the independent Tax Foundation, the credit union tax subsidy already exceeds \$3 billion per year. Increasing the cap on credit union member business lending would only increase the taxpayer subsidy and further undermine its original policy purpose.

Credit unions were created by Congress, and given tax and regulatory advantages (including exemption from the Community Reinvestment Act) 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 that community banks do a better job of serving lower income groups. Credit unions should demonstrate they are meeting the basic statutory mission for which they were created by Congress before attempting to expand their powers into more complex and specialized fields. Therefore, we urge all Senators to strongly oppose S. 509. By unnecessarily expanding the powers of tax-exempt credit unions, this legislation would only exacerbate an already distorted and unfair marketplace.

Thank you for your consideration.

Sincerely,

Independent Community Bankers of America