

March 30, 2010

The Honorable Timothy F. Geithner
Secretary of Treasury
U.S. Department of the Treasury
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

Dear Mr. Secretary:

Legislation has been introduced in Congress that would increase the credit union member business lending cap from 12.25 percent of a credit union's total assets to 25 percent, raise to \$250,000 the *de minimus* level of a credit union business loan, and exclude other loans from the cap. The American Bankers Association (ABA) and the undersigned trade associations strongly urge the Administration to oppose this unnecessary and unsafe expansion of credit union lending authority, and we encourage the Administration not to include this proposal in any job-creation package.

Eliminating the business lending cap and expanding 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, changes sought by the credit union industry would benefit only a handful of credit unions. In fact, only 37 of the nearly 7,600 credit unions, or about one-half of one percent of all credit unions, would directly benefit because they are at or near their Congressionally mandated 12.25 percent lending cap. In other words, 99.5 percent of credit unions have the authority and lending capacity to make additional loans to small businesses today.

Furthermore, the National Credit Union Administration reported that the number of credit unions offering any business loans fell by 11.9 percent since the beginning of the year, to 1,721 credit unions. Raising the cap would have very little impact on lending to businesses.

Congress recognized that business lending is fundamentally different from consumer lending. 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 current law aggregate business loan limitation also helps to prevent the tax-subsidy from being used to support large business loans. Business loans that are less than \$50,000 or that have a governmental guarantee, such as Small Business Administration loans, are excluded from this

calculation. Raising the threshold to \$250,000 would exempt even more credit union business loans from the aggregate business loan cap and reduce transparency.

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, an increase in the business lending cap will simply allow credit unions to stray further from their traditional mission.

The banking industry supports efforts to serve the small businesses in our communities. We are strongly opposed, however, to any efforts that would expand the already broad authority of large, aggressive, growth-oriented credit unions that have abandoned their mission of serving people of small means.

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