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March 12, 2010

The Honorable Gary L. Ackerman
U.S. House of Representatives
Washington, DC 20515

RE: OPPOSE ADDING H.R. 3380 to JOBS BILL

Dear Representative Ackerman:

We understand that a number of Members of Congress are urging that H.R. 3380, a bill that would double allowable credit union business lending, be added to whatever jobs bill is considered in the House of Representatives. The New York Bankers Association (NYBA) strongly urges that you oppose any such effort. Credit unions in New York are not using the business lending authority they currently have. More importantly, New York's banks and thrifts are already lending, assisting creditworthy small businesses throughout the State with their funding needs. NYBA is comprised of the community, regional and money center commercial banks and thrift institutions doing business in the State of New York. Our members employ approximately 250,000 New Yorkers and hold assets in excess of \$9 trillion.

New York's banks are lending. They are lending to their small business customers, local governments, homeowners and consumers of all income levels. As in any recession, creditworthy small businesses have reduced their demand for credit as significant numbers of their customers reduce their purchases of goods and services and businesses dial back on their expansion plans. In addition, of course, decreases in values of many assets that might be used to secure loans, particularly real property and securities, have made many bank customers wary of increasing their outstanding debt. Importantly, hundreds, if not thousands, of non-federally insured lenders who had been making all types of loans in New York State prior to 2008 have left the market, either through failure or through eliminating lending operations.

Nevertheless, according to FDIC data, New York's commercial banks and thrift institutions actually increased their loans to small businesses from 2007 through 2009 (the most recent year for which data is available). On December 31, 2007,

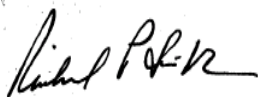
New York's FDIC-insured institutions held almost \$9.9 billion worth of small business loans (those defined by FDIC as under \$1 million in principal amount). By December 31, 2009, that figure had increased to over \$10.9 billion.

And our members are not content with increasing their small business loan portfolios. NYBA is also working in a collaborative effort with State and local officials and business groups to identify new ways to deliver credit and determine market demand. In a program sponsored by the New York Business Development Corporation (NYBDC), and endorsed by our Association, New York's commercial banks and thrift institutions are providing small businesses a "second look." This program, also endorsed by Senator Schumer and New York City Council Speaker Christine Quinn, will offer an opportunity for any small business loan applicant that feels it was wrongly denied a loan to reapply through an independent third-party small business loan expert – the NYBDC – to access an ample pool of capital. This program is gradually being rolled out throughout the State and should ensure New York's continued leadership in small business lending.

On the other hand, New York's credit unions have not used the authority which they already have to increase their small business lending. Under H.R. 3380, Bethpage Federal Credit Union, one of the largest in the State, could increase its business lending by \$461 million. But Bethpage has made only \$47 million in member business loans, according to their regulator, the NCUA. Even including their \$87 million in purchased loan participations in business loans, which could represent purchases of loan participations from throughout the world, they could have made \$316 million more in business loans with no change in the law. Because credit unions can only lend to their members, and most have few small business members, they are not in a position to extend small business credit broadly or effectively.

We strongly urge that you oppose H.R. 3380, either as stand-alone legislation or as part of a jobs bill. New York's banks and thrifts are serving the small business market. Moreover, by the evidence currently available, even the largest credit unions in the State show little interest in using the authority already available to serve small businesses. We believe that strengthening the small business loan programs of the Small Business Administration and the New York Business Development Corporation would provide far greater rewards in assuring continued access to credit by New York's creditworthy small business borrowers. We welcome discussing this issue and others in the coming weeks and months.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael P. Smith". The signature is fluid and cursive, with the first name "Michael" and last name "Smith" clearly legible.

Michael P. Smith