July 21, 2015

The Honorable John Boozman
Chairman
Subcommittee on Financial
Services and General Government
US Senate Committee on Appropriations
Washington, D.C. 20510

The Honorable Chris Coons
Ranking Member
Subcommittee on Financial
Services and General Government
U.S. Senate Committee on Appropriations
Washington, D.C. 20510

Dear Chairman Boozman and Ranking Member Coons:

On behalf of the Independent Community Bankers of America (ICBA), the national trade association exclusively representing more than 6,000 taxpaying community banks, we are writing to express opposition to a potential credit union-backed amendment to the Financial Services and General Government Appropriations Act for FY 2016. The amendment would be a backdoor increase in the member business lending (MBL) cap, a change the credit unions have sought for more than a decade. It would result in a revenue loss to the U.S. Treasury and increase the federal budget deficit. The amendment has not been considered by the authorizing committee and we strongly urge its rejection.

Credit unions were created and given a tax subsidy for the purpose of serving individuals of modest means with a common bond. To ensure they adhere to this mission primarily through consumer lending, Congress imposed a cap on member business loans of 12.25 percent of assets, according to the legislative history. The cap includes many exemptions, including any loan fully secured by a 1-to-4 family dwelling **that is the primary residence of a credit union member**. This exemption allows a member to tap their home equity to finance a business. However, the credit unions' amendment would expand this exemption significantly by removing the condition that the 1-to-4 family dwelling be a member's primary residence. In effect, it would allow rental housing loans and other business loans secured by 1-4 family dwellings to be exempt from the MBL cap. Current law appropriately states, a loan secured by a 1-4 family dwelling that is not the primary residence of a credit union member, is to be counted as a member business loan.

Rental housing loans are business loans; their purpose is to generate income for the borrower. Congress must not allow credit unions to further encroach into business lending, altering the fundamental character of their charter and expanding the reach of their already significant tax subsidy. A change of this significance should not be considered without observing regular order and appropriate debate.

We urge you not to be misled by the argument that the amendment would merely create parity in loan classifications between credit unions and commercial banks. Banks classify loans for non-owner occupied 1-to-4 unit dwellings as real estate loans **on their call reports**. The call report and the MBL cap are not equivalent and cannot be meaningfully compared. What's more, banks are taxed while credit unions are heavily tax subsidized. This critical distinction should guide all consideration of credit union powers expansion initiatives.

We urge the committee to reject this highly controversial amendment.

Sincerely,

/S/

Camden R. Fine
President & CEO

cc: Senate Appropriations Committee

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