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CAMDEN R. FINE  
President and CEO

July 8, 2010

The Honorable Harry Reid  
Senate Majority Leader  
S-221 Capitol Building  
Washington, DC 20510-7020

The Honorable Mitch McConnell  
Senate Minority Leader  
S-230 Capitol Building  
Washington, DC 20510-7010

Dear Leader Reid and Minority Leader McConnell:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America (ICBA), I write to express our strong opposition to an amendment offered by Senator Mark Udall (D-CO) to the Small Business Lending Fund legislation that would dramatically expand the commercial lending powers of taxpayer-subsidized credit unions. For the reasons described below, we believe this amendment would be an unfair and ineffective means of increasing small business credit and would flout the tax subsidy given to credit unions to the detriment of community banks and the American taxpayer. This issue is of such fundamental significance to community banks and ICBA that adoption of the Udall amendment would force us to oppose the Small Business Lending Fund legislation (HR 5297).

ICBA has expressed our enthusiastic support for the underlying legislation. The Small Business Lending Fund would leverage community banks to increase access to credit for the small businesses that will play a pivotal role in job creation and in our nation's economic recovery. Community banks have the relationships needed to get credit flowing quickly, and they have the commercial underwriting experience to ensure that loans are sound. The Small Business Lending Fund is a bold, fresh idea that should be given the opportunity to work.

ICBA strongly opposes adoption of the Udall amendment, which would dramatically raise the cap on credit union member business loans from 12.25 percent of total assets to 27.5 percent. There is no valid policy reason for this action. Very few credit unions are in a position to take advantage of an increased cap. Of the nation's 7,600 credit unions, only 41 are even at or near the current cap. Furthermore, Small Business Administration loans, as well as any small business loans of \$50,000 or less, are exempt from the cap. There is ample capacity for credit unions to expand their lending if they choose to do so.

Proponents of the Udall amendment claim that it would come at “no cost to taxpayers.” This is patently false. Any expansion of lending by tax-exempt credit unions would reduce tax revenue to struggling federal, state, and local governments. Credit unions were granted tax-free status to help them serve individuals of modest means, not to support business lending. According to the independent Tax Foundation, the credit union tax subsidy already exceeds \$3 billion per year. The Udall amendment would only increase that taxpayer subsidy and further undermine its original policy purpose.

ICBA believes that expanding the commercial lending powers of credit unions would do more to promote the business interests of a handful of the very largest, multi-bond credit unions than to reduce joblessness and create new employment opportunities. We urge you to reject the Udall amendment and pass the Small Business Lending Fund legislation.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine  
President and CEO

cc: Sen. Mark Udall  
Sen. Max Baucus, Chairman, Senate Finance Committee  
Sen. Mary Landrieu, Chairwoman, Senate Small Business and Entrepreneurship  
Committee  
The Honorable Timothy Geithner, U.S. Secretary of the Treasury  
Gene Sperling, Counselor to the Treasury Secretary