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CAMDEN R. FINE  
President and CEO

July 14, 2010

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 Leader Reid and Minority Leader McConnell:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America, I write to express our strong support for the “Small Business Jobs Act of 2010” (H.R. 5297). The Act would offer capital to interested community banks to expand small business credit, extend the successful SBA loan program incentives, and provide targeted tax relief to certain small businesses. We urge the Senate to enact this legislation quickly.

Notwithstanding our support for the underlying bill, ICBA strongly opposes the inclusion of an amendment offered by Senator Mark Udall that would dramatically expand the business lending powers of taxpayer-subsidized credit unions. There is simply no policy justification for this action. Expanded credit union lending must not displace lending by taxpaying banks when federal, state, and local governments are struggling with revenue and budget shortfalls. Today 99.6 percent of credit unions nationwide already have all the lending authority they need to expand their member business lending and are not hindered by lending limits. Furthermore, credit unions face no limits whatsoever on business loans of \$50,000 or less or on SBA loans.

ICBA supports the following provisions of HR 5297:

- Establishing a \$30 billion Small Business Lending Fund (SBLF) for interested community banks under \$10 billion in assets to expand small business credit;
- Extending the successful SBA loan program incentives that increased the loan guaranty and cut borrower fees;
- Increasing the size limits of SBA loans;
- Allowing the use of SBA 504 loans to help refinance certain commercial mortgages;
- Providing Subchapter S businesses built-in-gains tax relief;
- Increasing the section 179 small business immediate expensing from \$250,000 to \$500,000; and

- Allowing 50 percent bonus depreciation for certain property.

The Nation's nearly 8,000-strong community banks are well-positioned to leverage the SBLF and have established relationships with small businesses in their communities to get credit flowing quickly. Under the proposed \$30 billion fund, interested banks with less than \$1 billion in assets could receive capital investments up to 5 percent of their risk-weighted assets, and those with between \$1 and \$10 billion in assets could receive up to 3 percent. Treasury would have additional authority to use the SBLF to provide funding to financial institutions serving small businesses in Gulf Coast states impacted by the Deep Water Horizon oil spill.

Notably, leveraging the \$30 billion funds with community banks would potentially support many times that amount in loan volume to small businesses -- as much as \$300 billion in additional lending. Banks that increase their small business lending by certain threshold percentages will pay reduced dividend costs, ensuring that their incentive to lend matches their greater capacity to do so.

To ensure that the SBLF achieves the wide participation necessary to meet its intended goals, ICBA urges the Senate to retain the following recommendations in any final proposal:

- There should be no counterproductive, TARP-like restrictions such as warrants, compensation restrictions, bank dividend restrictions, or any restriction on generally available tax measures such as the five-year net operation loss (NOL) carryback for tax years 2009 and beyond.
- The government should not have the right to change the contract or add onerous conditions unilaterally. Participants should have certainty that the rules of the contract will not change and should be able to return the investment at any time without penalty.
- Participants should be able to keep the investment for at least five years to better facilitate small business loan durations.
- The broadest number of community banks possible should be eligible to participate. For instance, banks with composite CAMELS ratings of 3 or higher should be automatically eligible, and banks with composite CAMELS ratings of 4 should be eligible to participate after approval. Banks with CAMELS ratings of 1 and 2 generally have enough liquidity and capital to make small business loans without investment from the proposed fund. A supervisory order should not disqualify a community bank from participating.
- If a bank's financial position is to be considered, it should be evaluated with the benefit of the SBLF capital injection. This would broaden the reach of the program to more banks and facilitate more small business lending.
- All types of banks should be able to participate on equal terms, including Subchapter S banks, mutual banks and holding companies.
- Treasury should have the ability to make the final capital injection decision after consultation with the bank regulators. The eligibility and approval process must be well-defined and transparent so that access to the program is fair and consistent.

- Current TARP CPP recipients should be able to transfer easily into the new program and be released from their existing TARP restrictions.
- Community banks should be able to treat SBLF capital as Tier 1 capital.
- The definition of small business loans should be broad enough to include agriculture loans.
- Treasury should implement a relatively easy way to report an institution's small business lending using existing financial reporting.
- Finally, credit unions should not be eligible to participate in the program since they are subject to statutory restrictions on commercial lending and are tax-exempt. As noted above, expanded credit union lending would reduce tax revenue to federal, state, and local governments at a difficult time.

ICBA believes the Small Business Lending Fund Act, in its current form, reflects these recommendations and will attract a broad spectrum of community banks, increase small business lending, and spur job growth.

Thank you again for considering this important legislation.

Sincerely,

/s/

Camden R. Fine  
President and CEO

cc: Members of the United States Senate