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February 20, 2018

The Honorable Orrin Hatch
Chairman
Senate Finance Committee
Washington, D.C. 20510

Dear Chairman Hatch:

On behalf of the nearly 5,700 community banks represented by ICBA, I write to thank you for your bold and thoughtful letter of January 31 to National Credit Union Administration (NCUA) Chairman Mark McWatters. As stated in your letter, modern credit unions meet none of the criteria that formed the original justification for their tax exemption as set forth in the Federal Credit Union Act of 1934 and reaffirmed by Congress in the Credit Union Membership Access Act of 1998. **We urge you to convene a hearing at your earliest convenience to examine the evolution of the credit union industry and the threat it poses to the American tax base.**

As detailed in your letter, modern credit unions have failed in every aspect of their public mission. Today's credit unions serve middle and higher income individuals rather than those of modest means. The common bond requirement is no longer binding in any meaningful sense. Credit unions are moving aggressively into commercial lending, contravening limits on this type of lending reaffirmed by the CUMAA. According to the NCUA, total business lending by credit unions ballooned from \$13.4 billion in 2004 to \$61 billion in September 2017 displacing lending by taxpaying banks.

In summary, today's credit unions are virtually indistinguishable from taxpaying community and regional banks. Many are multi-billion-dollar institutions with aggressive promotional campaigns. Ten years ago, there were only 70 credit unions with assets of more than \$1 billion. Now there are 284. The largest credit union has assets of over \$80 billion. Emboldened by a compliant regulator, credit unions are seeking the power to raise outside, supplemental capital and further leverage their tax subsidy, subverting their cooperative status, which is among key justifications for their tax exemption.

The credit union tax subsidy is the elephant in the room. It is widely understood but rarely acknowledged that the tax exemption has outlived its purpose. Now is the time to have that discussion. Credit unions are an untapped source of revenue for federal, state and local governments that are starved for funds to pay for our military, crumbling infrastructure,

struggling school systems, and much more. A hearing in the Senate Finance Committee would play a critical role in raising public awareness of the origin, evolution, and impact of the credit union tax subsidy.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine
President & CEO