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April 27, 2007

The Honorable Nydia M. Velázquez  
Chair  
House Small Business Committee  
2361 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairwoman Velázquez:

On behalf of the American Bankers Association and the more than two million men and women who work in the nation's banks, I am writing to express our opposition to your legislation, H.R. 1849, the Credit Union Small Business Lending Act.

This legislation would allow tax-exempt credit unions to divert financial resources from consumers they were chartered to serve. It would increase their commercial lending authority by excluding the non-guaranteed portion of Small Business Administration loans from the aggregate business loan cap along with the guaranteed portion. Additionally, this bill would apply an 85 percent guarantee for any business loan under \$250,000 made in an underserved area.

When Congress passed the Credit Union Membership Access Act of 1998 (CUMAA) to protect consumers served by credit unions, it imposed a limit of 12.25 percent of total assets on business lending. Congress made its intent clear. The legislative history for CUMAA explained that the business lending restrictions:

...are intended to ensure that credit unions continue to fulfill their specified mission of meeting the credit and savings needs of consumers, especially persons of modest means, through the *emphasis on consumer rather than business loans*. The Committee action will prevent significant amounts of credit union resources from being allocated to large commercial loans that may present additional safety and soundness concerns for credit unions and that could potentially increase the risk of taxpayer losses through the National Credit Union Share Insurance Fund. (Senate Report 105-193, May 21, 1998, pp.9-10)

An expansion in business lending will move credit unions even further from their mission of serving persons of modest means. In recent years, a series of studies by the Government Accountability Office (GAO), the Woodstock Institute in Chicago, and the National Community Reinvestment Coalition show that large credit unions are failing in their mission to serve people of modest means. As the GAO reported in November 2006, credit unions lag banks in their service to low- and moderate-income customers.

Furthermore, in 1998, Congress excluded the guaranteed portion of SBA loans from the aggregate member business loan limit because the guaranteed portion of the loan did not pose risk to the National Credit Union Share Insurance Fund. Excluding the non-

guaranteed portion from the 12.25 percent member business loan cap would expand credit union risk taking and allow credit unions to divert more resources into commercial lending.

The banking industry is the major source of credit to small businesses. Banks held \$299 billion in loans to small businesses in 2006. Additionally, banks had nearly \$336 billion in commercial real estate loans to small businesses. As the National Federation of Independent Business reported in March 2007, small business owners were not having difficulties in getting their credit needs met.

Allowing tax-exempt credit unions to take further advantage of the taxpayer funded 7(a) program seriously undermines principles of fairness and the proper use of taxpayer dollars.

Thank you for considering our views.

Sincerely,

A handwritten signature in black ink that reads "Floyd E. Stoner". The signature is written in a cursive, flowing style.

Floyd E. Stoner

Cc: The Honorable Steve Chabot, Ranking Member