

Letter to the Editor: Thrift Provision In Reg-Relief Bill Unfair for CUs

*From: American Banker
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To the Editor:

I am usually not one to address articles point-by-point when we disagree with comments made by the banking industry, but the comments in last Friday's story on the regulatory relief bill were so egregious as to warrant a more detailed refutation.

In the story [["Reg Relief Stalled as Banks Resist CU 'Parity,'"](#) June 23, page 1], an Independent Community Bankers of America lobbyist says "it's outrageous" for credit unions to oppose the removal of thrift business lending limits "just because they don't get everything they want."

Everything we want? In my 10 years as the CEO of the Credit Union National Association, Congress has passed only one piece of legislation specifically to address credit union concerns - the Credit Union Membership Access Act of 1998. And bankers fought that bill fiercely every inch of the way.

At the same time, the banking industry has secured for itself major modernization in the Gramm-Leach-Bliley Act of 1999 and, more recently, expanded Subchapter S authority that will spare thousands of community banks from paying taxes at the corporate level. Meanwhile, the banks at every turn have sought legislative limits not only on credit unions but also on the Realtors, Farm Credit banks, Fannie Mae, Freddie Mac, and even Home Depot.

An America's Community Bankers lobbyist states that credit unions "are supposed to be focused on serving people of modest means - not doing business lending."

The fact is credit unions have been making loans to members for business purposes since their inception early in the 20th century - then, as now, often lending to those turned away by banks. Member business lending is a part of our history. So, too, is our mission of providing affordable, cooperatively owned financial services to people from all walks of life, including (but not limited to) people of modest means.

The ACB lobbyist accuses CUNA of hindering the process. He is mistaken. Key to the process was the desire among Senate Banking Committee leaders to maintain a carefully balanced regulatory relief bill, one that would not play favorites with one type of charter over another.

Removing the thrift business lending limitations without comparable charter expansion provisions for other financial institutions creates an enormous disparity - one that violates a process intended to avoid any disruption of the delicate balance between federal charters and regulators.

The American Bankers Association's threat to drop its support for the relief bill is nothing new. In 2002 the ABA pulled its support for relief legislation (HR 3951) then making its way through the House. The ABA rejected the bill (which contained 30 regulatory relief provisions for banks, but merely a handful of credit union items) on the grounds that no such bill should contain credit union relief of any kind. Some things never change.

Finally, I would respond to the charge made that CUNA "leaked" details of the House proffer by saying no confidences were violated. I would also point out those details were fully described in Capitol Hill press accounts prior to the issuance of CUNA's news release focusing on this one issue.

When one examines the facts and discounts the overheated banker rhetoric, it is clear there are sound public policy reasons for CUNA to oppose the regulatory relief bill if it includes expanded business lending for thrifts and therefore disrupts the balance between federal charters and regulators. Not only do we stand by our position, but we will continue to pursue it vigorously on Capitol Hill if necessary.

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(Article from June 23 American Banker)

Reg Relief Stalled as Banks Resist CU 'Parity'

American Banker Friday, June 23, 2006

By Stacy Kaper

WASHINGTON - A last-minute fight between banks and credit unions is threatening the chances for enactment of regulatory-relief legislation this year.

The latest battle began this week after the Credit Union National Association publicly inserted itself into negotiations between the House and Senate, which passed separate relief bills earlier this year. The group urged Senate leaders to reject a request from House lawmakers to add a provision that would increase business lending opportunities for thrifts, arguing that credit unions should receive equal treatment.

That move angered the banking industry, which said it would rather kill the bill than expand credit union powers.

If CUNA's provision is included, "we would oppose" the bill, said Floyd Stoner, the lead lobbyist for the American Bankers Association.

At issue is a provision included in the House regulatory-relief bill, but not the Senate legislation, that would remove the cap on thrifts for small-business lending and increase the cap on commercial and industrial lending to 20% from 10%.

House Financial Services Committee staffers sent a "proffer" to the Senate Banking Committee, asking it to add nine provisions, including the thrift business lending measure, and remove one other. That prompted CUNA to issue a press release Wednesday announcing it had sent a letter to Senate Banking Chairman Richard Shelby that said "we must respectfully urge the committee to reject the initial proffer."

CUNA vowed to oppose the bill if the thrift provision were added to it.

The letter angered House and Senate lawmakers, because negotiations on the legislation were meant to be kept secret, sources said.

"Senate and House banking staff are so upset with CUNA for leaking confidential information on the proffer they could be responsible for killing any reg relief this year," said a financial services source close to the negotiations.

CUNA argued for its own provision that would increase the limit on credit union business lending to 20% from 12.25%. Without this provision, adding the thrift measure would encourage more credit unions to convert to thrifts, the group said.

"For credit unions thinking about converting to thrifts - from our standpoint this is giving the thrift charter even more beauty," said Patrick Keefe, a spokesman for the association. "That this gives credit unions more inclination to convert to a thrift charter is wrong."

Banking industry groups protested that CUNA was objecting too late to the provision, which has been included in several past regulatory-relief bills without drawing opposition from the group.

"Now all of the sudden, at the last minute, they are changing their position on this, and we think that does nothing to help the process," said Greg Mesack, a director of government relations for America's Community Bankers. "It hinders the process. It makes it more difficult and it's hurting everyone."

Banking industry representatives said that thrifts and credit unions serve different purposes and should be entitled to different lending authority.

"The House has said that it's OK for thrifts, which pay taxes, and are community-focused, to go out there and do business lending to help their communities," Mr. Mesack said. "Credit unions are supposed to be focused on people of modest means - not doing business lending."

Some industry lobbyists were already worried that they were asking for too much to be added to the bill. The Senate passed a much narrower version of regulatory relief, and attempted to steer clear of any controversial provisions. But House lawmakers want to reinsert a few measures that they feel are not contentious.

"We'd like to add more provisions to the Senate bill ... but we would certainly not do anything to derail the bill," said Steve Verdier, a lobbyist with the Independent Community Bankers of America. "It's outrageous that the credit unions are drawing this line in the sand just because they don't get everything that they want."

Some lobbyists said they remain optimistic about the bill's chances for enactment soon. Mr. Stoner said CUNA would not succeed in adding its provision.

"Everyone has known this has been something that the credit unions have wanted," he said. "I think it's clear that this is a nonstarter and that it shouldn't be and won't be included in reg-burden relief."

At least one other credit union group is using another tack. The National Association of Federal Credit Unions said it supports adding a credit union business lending provision, but it may not be appropriate in this bill.

"We continue to seek the credit union member business lending cap modification," said Brad Thaler, a director of legislative affairs at the group. "We'll take it anywhere we can get it. Obviously we'd like to see more provisions in the final bill. However, we realize it's not realistic at this time."