



**PENNSYLVANIA ASSOCIATION OF
COMMUNITY BANKERS**



**PENNSYLVANIA
BANKERS ASSOCIATION**

TO: Members of the Pennsylvania Congressional Delegation

**FROM: Frank A. Pinto, President/CEO, PACB
James R. Biery, President/CEO, PBA**

DATE: July 26, 2004

SUBJECT: OPPOSITION TO H.R. 3579

As you know, our two associations have previously made known our opposition to H.R. 3579, legislation that would greatly exacerbate the competitive inequities that currently exist between community banks and credit unions.

To demonstrate the seriousness of this opposition, our two associations along with all three national associations, the American Bankers Association, Independent Community Bankers Association, and America's Community Bankers are joining our voices together.

H.R. 3579 would greatly expand credit union commercial lending authority, while simultaneously undercutting the capital regulation at federally insured credit unions. This legislation would further fuel even more rapid growth with an ever-increasing segment of the credit union industry comprised of mega-credit unions virtually indistinguishable from community banks with several key exceptions: credit unions do not pay taxes nor do they comply with the Community Reinvestment Act (CRA).

This legislation would greatly expand the amount of credit union revenue shielded from federal and state taxation at a time of huge federal deficits. The current tax exemption costs federal taxpayers \$1.36 billion and \$7.88 billion cumulatively through 2009 (according to the fiscal year 2005 budget).

We respectfully urge your opposition to this legislation and would ask that you give serious consideration to asking the Chairman of the Ways and Means Committee, Bill Thomas (R-CA), to expand his hearings on the tax-exempt status of nonprofit entities that compete with for-profit ventures to include credit unions. We believe that when the facts are placed on the public record, sound arguments will prevail and not only will legislation like H.R. 3579 not be considered, but there will be a solid basis for considering taxation of mega-credit unions that unfairly compete with community banks.

Thank you for your consideration of this issue.

Please do not hesitate to contact either of us; PACB's Dave Transue at 717.231.7447, dave@pacb.org, or PBA's Louise Rynd at 717.255.6935, lrynd@pabanker.com