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September 13, 2021

The Honorable Maxine Waters  
Chairwoman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Ed Perlmutter  
Chairman  
Subcommittee on Consumer Protection  
and Financial Institutions  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer  
Ranking Member  
Subcommittee on Consumer Protection  
and Financial Institutions  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairwoman Waters, Ranking Member McHenry, Chairman Perlmutter, and Ranking Member Luetkemeyer:

On behalf of the Independent Community Bankers of America, representing community banks across the nation with nearly 50,000 locations, I write to you in advance of the Subcommittee on Consumer Protection and Financial Institutions' September 29 hearing titled: "The Future of Banking: How Consolidation, Nonbank Competition, and Technology Are Reshaping the Banking System." Thank you for putting this important topic before the committee. We hope this hearing and President Biden's recent Executive Order, "Promoting Competition in the American Economy," will heighten public awareness of the adverse consumer and small business impact of industry consolidation and create momentum for policy responses.

**To ensure the hearing is comprehensive in scope, we ask that you use this opportunity to examine the role of tax-exempt credit unions, including the trend of multibillion dollar credit unions purchasing smaller community banks, in driving industry consolidation.** This trend is a product of an outdated tax exemption which funds acquisition prices inflated well above book value and the National Credit Union Administration's (NCUA's) permissive oversight which has allowed the industry to evolve far beyond its original mission. Importantly, credit union-bank acquisitions cut safeguards for low and moderate income consumers, as credit unions are not subject to the Community Reinvestment Act. A hearing that does not examine the harmful effects of credit union acquisitions of community banks would be a missed opportunity and a disservice to the American public.

In July, a Michigan state-chartered credit union, carrying the "low income" designation, announced the purchase at twice book value of a Florida bank specializing in private aircraft financing for high-net-worth individuals. Such transactions flout the original purpose of the

credit union tax exemption: to serve people of modest means. This is just one example in a trend that has increased sharply in recent years. There have been more than 100 credit union-bank purchases since 2003, 20 of which have occurred since 2019, and five of which have occurred in recent weeks. The first acquisition of a bank with more than \$1 billion in assets, \$1.6 billion Heritage Southeast Bank in Georgia, occurred in March of this year. We fully expect this trend to strengthen in the coming months and years unless Congress exercises appropriate oversight.

The impact of this trend will be unmistakable. As the President’s Executive Order notes: “Excessive consolidation raises costs for consumers, restricts credit for small businesses, and harms low-income communities.” Credit union purchases of banks must be viewed from this perspective.

What is the source of this trend? First, as noted above, the credit union tax-exemption confers a competitive advantage that creates inflated purchase offers. Second, the National Credit Union Administration’s (NCUA’s) permissive oversight. The agency has virtually dissolved field of membership limitations and, more recently, given credit unions authority to raise capital through the sale of subordinated debt securities to venture funds and other outside investors. Subordinated debt is being used to fund bank acquisitions.

As large credit unions – the largest now has assets of well over \$100 billion – have prioritized rapid growth and non-traditional financial product offerings, the NCUA has failed to keep pace with the evolving character of the industry. Collectively, credit unions have added \$1 trillion in assets in the last six years, and total industry assets recently surpassed \$2 trillion.

An NCUA that is truly independent of the industry it oversees, exercises robust supervision, and issues rules that are consistent with statutory authority is in the best interest of consumers, small businesses, and the American economy. The upcoming hearing is an excellent opportunity to update Congress’s understanding of the industry, its impact on the American financial services landscape, and chart a course forward.

For background and data to support this hearing request, see [ICBA’s recent letter to Treasury Secretary Yellen](#), which discusses:

- The trend toward fewer, larger credit unions: Today there are 392 credit unions with assets of more than \$1 billion and 14 credit unions with assets of more than \$10 billion. Credit unions with more than \$1 billion in assets account for the largest share of the industry’s tax subsidy, over 75 percent.
- Credit union-bank acquisitions as the next phase of aggressive growth.
- The harm that results from acquisition-driven consolidation, including the loss of CRA protections for low and moderate income consumers.
- Suggested legislative and regulatory solutions.

To conclude, the American financial services landscape is shifting rapidly and irreversibly as a result of the rapid growth of credit unions and credit union-bank acquisitions. This is a matter of

significant public concern and Congress should exercise its oversight authority to examine these trends. The change in leadership at the NCUA should be viewed as an opportunity to prompt a course correction at an agency with increasing impact over American consumers and the economy at large.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey  
President & CEO

CC: Members of the House Committee on Financial Services