



N C B A N K E R S

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April 16, 2012

FOR IMMEDIATE RELEASE

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NORTH CAROLINA BANKERS ASSOCIATION VEHEMENTLY OPPOSES CURRENT CREDIT UNION LEGISLATION

RALEIGH, N.C. – In an expression of opposition to S. 2231, which would allow a vast expansion of credit union commercial lending authority, Thad Woodard, President & CEO of the North Carolina Bankers Association said, "There is ample existing capacity in the banking system to accommodate the level of loan demand."

The 29 multi-billion dollar bank-like credit unions that are pushing this legislation and which are totally exempt from corporate income taxes, argue that they would make loans the banks are not willing to make. "That is hogwash," Woodard emphasized. "The truth is that the only loans banks do not want to make are those that are highly speculative and which carry an extreme risk of loss."

The North Carolina Bankers Association vehemently opposes this bill. Big, tax exempt credit unions lack the experience to handle this type of lending safely. The average loan balance for credit unions is \$12,485, while some of the business loans they seek to make are in excess of \$1 million. That is hardly a small business loan.

"If these few non-taxpaying credit unions were to get expanded powers, they should have to abide by the same body of law and regulation that governs the commercial banking system," stated Woodard. "That would mean the creation of a framework where the commercial lending function would be put in a taxed 'for profit' subsidiary that is supervised by the Office of the Comptroller of the Currency, the Federal Reserve, or state banking regulators or, they can convert to a bank charter. Otherwise, it seems that another 'shadow banking system' is being perpetuated and these huge credit unions are getting on a track that will deliver them, and their depositors of 'meager means' to a necessary bail-out due to their lack of depth of commercial lending experience and their continuing overreach beyond their original mission. In that process, they not only threaten our nation's economic underpinnings and their depositors' security, but they are leaving

behind the vast majority of small credit unions, which have no interest in or intentions toward this type of self-serving expansion into unexplored and treacherous territory."

The North Carolina Bankers Association brings together all categories of banking institutions that best represent the interests of our rapidly changing state. The state's banks have provided support to their communities since 1864. Look for a current listing at www.ncba.com.

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