



Community Bankers Association of Illinois
Department of Governmental Relations

YOUR ACTION IS NEEDED TODAY!

CBAI CALL TO ACTION: FANNIE MAE & FREDDIE MAC TAX LEGISLATION NEEDED NOW

September 18, 2008 - - - The Community Bankers Association of Illinois urges all community bankers throughout Illinois to contact their United States Representatives and our Senators in an effort to obtain needed tax legislation. CBAI joins the Independent Community Bankers of America (“ICBA”) in seeking legislation that could soften the blow caused by the conservatorship of Fannie Mae and Freddie Mac and the potentially devastating losses that some banks might incur related to preferred stock holdings in those GSEs.

“Community banks now find themselves boxed in by the dramatic Treasury action and the devastating tax treatment, taking a double hit that will ripple throughout the economy,” ICBA President and CEO Camden Fine wrote in a letter to Treasury Secretary Henry Paulsen and to key Members of Congress. “ICBA urges that impacted community banks be allowed to treat their Fannie and Freddie preferred stock as ordinary losses not capital losses, in order to at least receive fair and reasonable tax treatment on their losses as afforded most other businesses.”

CBAI and ICBA are asking bankers to contact their Members of Congress with the request that legislation be enacted, retroactive to January 1st, to treat losses on these preferred stocks as “ordinary losses” rather than “capital losses” so that tax loss recognition would provide at least some offset for the losses that the banks will suffer as the result of the write down of the preferred stock.

Please call, send a fax or e-mail your U.S. Representative and Senators Durbin and Obama as soon as possible! With the September 30th end-of-quarter looming, it is essential that Congress ACT NOW to address the dramatic, negative, unfair and unintended losses and tax consequences that many community banks are facing. Phone and fax numbers are attached. If you know the e-mail address of your Representative or Senator, please do not use words such as “Urgent” in the subject heading because such words may increase the possibility that your e-mail will be “spam filtered.” If you want to contact your Representative or Senator via e-mail but do not have his or her e-mail address, contact Jessie

Schmidt in CBAI's Governmental Relations Department (1-800-736-2224 or jessicas@cba.com) and she will provide you with relevant Internet contact information.