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April 30, 2009

Members of the United States Senate:

On behalf of the Credit Union National Association (CUNA), I am writing in support of the Dodd Substitute Amendment to S. 896. CUNA is the largest credit union trade association, representing nearly 90% of America's 8,000 state and federally chartered credit unions and their 92 million members.

CUNA strongly supports the Dodd amendment, which includes a number of provisions aimed at helping credit unions continue to help their members weather the financial crisis and maintain member confidence in credit unions. We appreciate Chairman Dodd's willingness to work with us to address credit unions' concerns. We encourage you to support the Dodd amendment when it is considered later this week. Credit unions consider this a critical vote.

The Dodd amendment would extend until the end of 2013 the increase in deposit insurance coverage ($250,000) for the National Credit Union Share Insurance Fund (NCUSIF) that Congress enacted on a temporary basis as part of the Emergency Economic Stabilization Act of 2008. This provision is an important step that will help maintain member confidence in credit unions.

The Dodd amendment also includes a number of provisions aimed at helping credit unions manage the impact of the financial crisis on the credit union system. Even though credit unions use strong underwriting standards to make loans to their members and keep most of their mortgages in portfolio, no financial institution is immune from the current economic situation. Corporate credit unions, which provide payment, settlement, investment and other services for natural person credit unions, have been particularly hard hit by the economic maelstrom.

On March 20, the National Credit Union Administration (NCUA) placed two corporate credit unions – U.S. Central and Western Corporate Federal Credit Union (Wescorp) – into conservatorship. The losses at the two corporate credit unions were created by declines in the value of mortgage-backed securities in which they invested. Although these securities were originally AAA-rated and appeared prudent when the investments were made, market developments proved to the contrary. Despite these investment losses, the payment and settlement services provided by these corporate credit unions continue to be offered on a very sound basis.

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The credit union system itself is covering the losses on these corporate credit union investments by way of a significant NCUSIF insurance assessment on all federally insured natural person credit unions. Under current law, credit unions must replenish their NCUSIF deposits equal to 1% of their insured shares on an annual basis and are also subject to premium charges when the fund drops below a 1.2% equity ratio. While credit unions expect to pay for the corporate credit union problem themselves, they would like to spread the losses over time, as banks are permitted to do for their insurance costs under current law.

The Dodd amendment would increase NCUA's borrowing authority from Treasury from $100 million to $6 billion, with the ability to borrow as much as $30 billion in exigent circumstances through December 2010. The amendment also establishes a Temporary Corporate Stabilization Fund that would also help NCUA to spread out credit unions' insurance costs over seven years. Spreading these costs over multiple years means that credit unions can use the funds, that otherwise would have been used to pay the assessment immediately, to make credit available to their members. CUNA strongly supports both the additional borrowing authority for NCUA as well as the establishment of the Temporary Corporate Stabilization fund.

Time is of the essence. We appreciate the Senate's timely consideration of the Dodd amendment and hope it will be enacted expeditiously.

On behalf of America's credit unions, thank you very much for your consideration. Please support the Dodd amendment.

Sincerely,

Daniel A. Mica
President & CEO