



Credit Union National Association

cuna.org

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May 19, 2009

The Honorable Jose Serrano
Chairman
Subcommittee on Financial Services
Committee on Appropriations
2227 Rayburn House Office Building
Washington, DC 20515

The Honorable Jo Ann Emerson
Ranking Member
Subcommittee on Financial Services
Committee on Appropriations
2440 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Serrano and Ranking Member Emerson:

On behalf of the Credit Union National Association (CUNA), I am writing in support of the appropriations request that the National Credit Union Administration (NCUA) recently submitted to the Committee. CUNA represents approximately 90 percent of America's 8,000 state and federally chartered credit unions and their 92 million members.

Central Liquidity Facility

On September 20, 2008, President Bush signed a continuing resolution to fund operations of the federal government through March 6, 2009. Included in the resolution was a provision that increased the loan limitation for the CLF to its statutory cap of \$41 billion (through March 6, 2009). The *Omnibus Appropriations Act of 2009* extended this provision through September 30, 2009. Increasing the CLF cap to its statutory ceiling was a prudent measure to prevent credit union liquidity problems during the financial crisis, and the CLF remains an important source of liquidity for both natural person and corporate credit unions.

For fiscal year 2010, NCUA has requested continued authority for the CLF to lend to its statutory limit. CUNA supports this request. Maintaining the current CLF lending authority would permit NCUA to continue using a tool that is essential to address the liquidity needs of corporate credit unions during the financial crisis.

In addition to supporting the NCUA request with respect to the CLF, we encourage the Committee to consider ways to make the CLF a more efficient liquidity tool for corporate credit unions. Under current law, the CLF is not presently permitted to lend directly to corporate credit unions. As a result, NCUA has established a program that encourages credit unions to borrow from the CLF and then deposit those funds to corporate credit unions to maintain liquidity in the corporate credit union system. While this circuitous approach worked to address



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the problem, it may make more sense to permit the CLF to lend directly to corporate credit unions. We ask that you work with the Committee on Financial Services and consider including language to this effect.

Community Development Revolving Loan Fund

CUNA also supports NCUA's request for \$1 million to fund the Community Development Revolving Loan Fund (CDRLF) program. The CDRLF was funded at this level in fiscal year 2009.

In addition to approving NCUA's request for funding for this program, we urge the Committee to strongly encourage NCUA to permit low-income, community development credit unions to use these CDRLF funds as secondary capital, as is permitted under current law. We believe that, working with the National Federation of Community Development Credit Unions, NCUA can develop appropriate regulatory standards that will facilitate the use of CDRLF funds as secondary capital without jeopardizing safety and soundness considerations or unduly constraining the operations of this important group of credit unions.

No financial institution is immune from the financial crisis, and the CDRLF plays an important role for low income credit unions. The CDRLF is currently used to provide low-interest loans and technical assistance grants to low income designated credit unions.

However, we believe the use of CDRLF funds should be expanded to help mitigate the impact of NCUA's assistance for corporate credit unions, which was provided through the National Credit Union Share Insurance Fund and must be repaid by all federally insured credit unions. Community development credit unions will be particularly hard hit by these NCUSIF expenses and many of them will face prompt corrective actions and serious reductions in their net worth. This result could be alleviated through the use of CDRLF funds as capital.

Small credit unions offer services such as free income tax preparation and financial literacy classes. If permitted to count CDRLF loans as capital, we believe low income credit unions would find these funds an important source of capital which will enable them to serve their members even better.

On behalf of CUNA, we appreciate your leadership in this area, and we look forward to working with you on this issue. We would welcome the opportunity to discuss these issues further with you if that would be useful to your deliberations.

Sincerely,

A handwritten signature in cursive script that reads "Daniel A. Mica".

Daniel A. Mica
President & CEO