CUNA
Credit Union National Association
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May 19, 2009

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, DC 20515

Dear Speaker Pelosi and Ranking Member Boehner:

On behalf of the Credit Union National Association (CUNA), I am writing in support of S. 896, the Helping Families Save Their Homes Act. 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 S. 896, a bill that 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. Credit unions consider this a critical vote.

S. 896 would extend the increase in deposit insurance coverage ($250,000) for the National Credit Union Share Insurance Fund (NCUSIF) that Congress enacted on as part of the Emergency Economic Stabilization Act of 2008, until December 31, 2013. This provision is an important step that will help maintain member confidence in credit unions.

S. 896 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.

S. 896 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 timely consideration of the S. 896 and hope the legislation can be enacted expeditiously.

On behalf of America's credit unions, thank you very much for your consideration. Please support the S. 896, the Helping Families Save Their Homes Act.

Sincerely,

Daniel A. Mica
President & CEO