



**CUNA**

Credit Union National Association

[cuna.org](http://cuna.org)

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August 14, 2008

The Honorable Patricia Madrid  
Chair  
Democratic Party Platform Committee  
Democratic National Committee  
430 South Capitol Street, SE  
Washington, DC 20003

The Honorable Deval Patrick  
Chair  
Democratic Party Platform Committee  
Democratic National Committee  
430 South Capitol Street, SE  
Washington, DC 20003

Ms. Judith McHale  
Chair  
Democratic Party Platform Committee  
Democratic National Committee  
430 South Capitol Street, SE  
Washington, DC 20003

Dear Attorney-General Madrid, Governor Patrick and Ms. McHale:

On behalf of America's 8,200 credit unions and their 91 million members, I appreciate this opportunity to share with you core credit union priorities and I urge you to incorporate them as appropriate into your final party platform document. I also want to congratulate you on your party's upcoming nominating convention.

As you may know, CUNA has been working closely with Homes for Our Troops to build a home for a disabled veteran in each of the two major party convention cities. We are proud to make a lasting contribution to the host cities and these American heroes in this historic election year. It is representative of the effort credit unions make to serve their members every day.

This year marks the 100th anniversary of the establishment of St. Mary's Cooperative Credit Association in Manchester, New Hampshire. The founding of St. Mary's Cooperative Credit Association in 1908 followed by the enactment of enabling state statutes the following year mark the beginning of the American credit union movement. Throughout the past century, credit unions have thrived by serving people of modest means and those with little or no access to traditional banking services.

The credit union legacy was recently honored by the House of Representatives through the passage of H.Res. 1145 on June 10, 2008. The resolution expressed the sense of Congress that credit unions "played an instrumental role in helping hard-working Americans recover after the Great Depression". It further concluded that, "... credit unions operate with the credo, 'Not for profit, not for charity - but for service' and have consistently reflected this philosophical tradition and the cooperative spirit of 'people helping people' that gave birth to the Federal Credit



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Union Act". In the spirit of this resolution, I will detail below some federal actions that will help ensure that credit unions not only survive, but also thrive well into the future.

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#### Credit Unions Remain Safe and Sound

Given the recent high-profile failure of IndyMac Bank and other banks, many Americans have begun to question the safety and soundness of the depository institutions that hold their savings. Credit unions have emerged largely unscathed from the subprime mortgage lending crisis because, unlike many banks, credit unions practice sound lending practices and were not tempted into making risky loans with the promise of big profits in return. In fact, about 70 percent of credit union home mortgage loans are held on credit union books, not sold off to the secondary mortgage market. Therefore, the plague of nonperforming home loans is a bank problem, not a credit union problem. Credit unions are well capitalized with an overall capital-to-asset ratio of 11.1 percent.

#### Credit Union Tax Status

In 1937, Congress granted credit unions federal tax-exempt status based upon their cooperative structure -- that they are operated entirely by and for their members. Despite the evolution of products and services and expanded fields of membership, credit unions continue to operate as democratically-controlled cooperative institutions, serving only their members, on a not-for-profit basis. Congress ratified the federal tax-exemption on several occasions, most recently in 1998 with the enactment of H.R. 1151, the Credit Union Membership Access Act. Maintaining the federal credit union tax

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status is the foundation upon which credit unions have been able to survive and serve their members. Without the tax exemption, credit unions would be forced to operate as banks, leaving millions of people without access to affordable and convenient financial services. It is our hope that the next President of the United States will continue the support that his predecessors have shown for the credit union tax status and we look forward to working with him to preserve it.

#### Independent Federal Credit Union Regulator

The National Credit Union Administration (NCUA) is the independent federal regulator for federally-chartered credit unions. It also administers the National Credit Union Share Insurance Fund (NCUSIF). Funded by credit unions, this deposit insurance fund guarantees member funds in nearly all credit unions and has never cost the taxpayers a penny. NCUA maintains a staff of professionals and examiners that possess expertise and core institutional knowledge that would be lost in any consolidation of federal banking regulatory agencies.

#### Statutory Changes Are Necessary to Improve Credit Union Service to Members

Credit unions have not been subject of significant regulatory relief in over 25 years. There are several statutory changes that we have asked Congress to consider which would improve productivity and efficiency in a competitive and dynamic marketplace, and will translate into better and lower-cost service to credit union members.

There are several statutory changes that Congress, working with the next President, should enact including imposing risk-based capital requirements on credit unions to more accurately reflect the amount of capital necessary for an institution to be considered well capitalized, eliminating the arbitrary caps on credit union member business lending and clarifying that all federally chartered credit unions are eligible to add underserved areas to their field of membership.

Credit unions remain a vital part of virtually every community in America. They provide financial literacy counseling, affordable and non-predatory credit, and secure savings and checking (share draft) accounts. Credit unions remain trusted institutions, owned and controlled by their members.

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As you complete your work on the party's platform, we ask that you consider including a statement recognizing the positive and vital role of credit unions in the lives of their members and financial services industry as a whole. We look forward to working with the next President on these issues and others which will facilitate credit unions' continuing to be a part of the financial services solution for all Americans.

Sincerely,

A handwritten signature in black ink that reads "Daniel A. Mica". The signature is written in a cursive style with a large, looping initial "D".

Daniel A. Mica  
President & CEO