March 11, 2014

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Hensarling and Ranking Member Waters:

As representatives of state chartered, privately insured credit unions, we are writing in support of H.R. 3584, the Capital Access for Small Community Financial Institutions Act. Thank you very much for scheduling this legislation for consideration in the full committee.

Credit unions exist to serve the financial needs of their members. The Federal Home Loan Bank System permits certain financial institutions to apply for membership, helping those institutions meet lending demand with respect to home mortgages, farm loans or other loans that satisfy the collateral requirements of the Home Loan Bank System. Unfortunately, due to what we believe was an oversight in drafting, state-chartered, privately insured credit unions were not included in the group of financial institutions made eligible to join the FHLB System when amendments to the Federal Home Loan Bank Act were enacted in 1989. H.R. 3584 would correct this oversight and permit privately insured credit unions to apply for membership in the FHLB System.

Currently, there are 132 privately insured credit unions that operate in nine states: Ohio, Illinois, Indiana, Maryland, Alabama, Idaho, Nevada, California and Texas. Permitting these credit unions to apply for membership to the FHLB System would help them serve the financial needs of their members, and it would not expose the FHLB System to additional risk. All advances from the FHLB System must be fully collateralized and subject to their strict uniformly applied standard. It is also important to note that other non-federally insured entities are permitted to join the FHLB System, and under current law, state-chartered, privately insured credit unions which also have obtained Community Development Financial Institution status are eligible.

On behalf of the state-chartered, privately insured credit unions that we represent, thank you again for marking up H.R. 3584. We look forward to working with you to secure its enactment.

Sincerely,

Credit Union National Association
California & Nevada Credit Union Leagues
Cornerstone Credit Union League
Idaho Credit Union League
Illinois Credit Union League
Indiana Credit Union League
League of Southeastern Credit Unions & Affiliates
MD & DC Credit Union Association
Ohio Credit Union League