



Credit Union National Association

cuna.org

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November 17, 2008

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

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

Dear Chairmen Frank and Ranking Member Bachus,

On behalf of the Credit Union National Association (CUNA), I applaud you for calling tomorrow's hearing on "Oversight of Implementation of *Emergency Economic Stabilization Act of 2008* and Government Lending and Insurance Facilities: Impact on Economy and Credit Availability." CUNA represents approximately 90% of America's 8,200 state and federally chartered credit unions and their 90 million members.

The Department of Treasury announcement last week to abandon the purchase of troubled assets from financial institutions in favor of greater emphasis on capital infusions into financial institutions causes us concern. Although the *Emergency Economic Stabilization Act* explicitly includes America's credit unions among the institutions eligible to participate under the plan, the implementation of the program thus far has not included credit unions, and the Treasury's announcement makes it unclear how credit unions will be included. Credit unions could have been covered under a troubled asset purchase plan; however, because of the credit union capital structure, credit unions may not be eligible for the capital infusion under current law. In addition, an asset purchase program would have helped to establish values for some of these troubled assets in today's dysfunctional markets.

As the attached letter indicates, we have urged Treasury to consider a set aside of funds to be used by Main Street financial institutions including credit unions. However, given the cooperative nature of our movement, we believe that credit unions should be able to turn to the National Credit Union Administration (NCUA) for assistance, so that credit union funds can help credit unions solve their own problems, with backup funding from Treasury if necessary. With that in mind, we have also urged NCUA to implement a program for credit unions – by credit unions – that accomplishes the intent of the *Emergency Economic Stabilization Act* for the movement. We believe that NCUA has sufficient authority under the *Federal Credit Union Act* to do so.

We hope that no credit union will need to turn to Treasury or NCUA for assistance. However, should the need arise, it is critical that the mechanisms Congress has put in place through the enactment of the *Emergency Economic Stabilization Act* work for credit unions as well as banks and other entities. We applaud your leadership on this issue and look forward to working with you going forward.

Sincerely,

Daniel A. Mica
President & CEO



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DANIEL A. MICA
PRESIDENT & CEO

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November 14, 2008

The Honorable Henry Paulson
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Paulson,

I regret I must write to you again, but on behalf of the Credit Union National Association I want to express my deep concerns following your announcement yesterday that you will not pursue a plan to purchase troubled assets from financial institutions.

I appreciate that for the vast majority of financial institutions, a capital purchase approach might be more efficient than the purchase of troubled assets. However, from our perspective, this decision is very troubling. Without the federal government's purchase of problem assets, how much value they retain will remain unsettled. As a result, the problem of undervalued mortgage assets held by many institutions, which has been exacerbated by fair value accounting, will continue for an indeterminable period of time.

Also, as I believe you are aware, there are some natural person and corporate credit unions that as a result of the economic crisis may need financial assistance. As the capital purchase program is structured, credit unions -- which have no access to secondary capital -- are not eligible to participate in the program. With this latest announcement that devalued assets won't be purchased, credit unions are left without any access to assistance under the Emergency Economic Stabilization Act, controverting the spirit and language of the act.

As I have stated in my previous letters to you, we believe credit unions' needs should first be met within our system, without having to draw on taxpayer dollars. We urge Treasury to work with the National Credit Union Administration to achieve this outcome. We continue to believe, however, that because no one knows the extent of the financial crisis, credit unions should, as Congress intended, be able to call upon the resources available under EESA, if the reserves of the National Credit Union Share Insurance Fund prove to be insufficient.



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The Honorable Henry Paulson
November 14, 2008
Page Two

Even if Treasury is not willing to establish a broad asset purchase program, I urge you to coordinate with NCUA to develop such an approach for credit unions. If credit union assets were purchased at a price above their market value, it would not only remove these assets from credit unions' balance sheets, but also provide a net worth contribution to affected credit unions achieving the same purpose that the capital purchase program does for other institutions.

In that connection, we also urge Treasury to work with NCUA to specifically designate and set aside the appropriate level of funds that would be available to purchase credit union assets or provide direct capital infusions, should the need for such assistance from Treasury materialize.

We are talking with NCUA about these solutions and with key offices on Capitol Hill. I urge you to work with NCUA to assure access to reasonable assistance for credit unions is provided in a timely manner. Meanwhile, discussion of our concerns and the details of our recommendations with the appropriate Treasury officials is needed, and I respectfully request such a dialogue as soon as it can be arranged.

Treasury has taken several steps to help guide the country during these difficult times, but there is much more to be done. This includes providing access to assistance under EESA for those credit unions that need it, as Congress intended.

Sincerely,

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

Daniel A. Mica
President & CEO