

cuna.org

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January 21, 2009

The Honorable Christopher Dodd Chairman Committee on Banking, Housing and Urban Affairs 448 Russell Senate Office Building Washington, DC 20510 The Honorable Richard Shelby Ranking Member Committee on Banking, Housing and Urban Affairs 110 Hart Senate Office Building Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

Yesterday's Inauguration of our new President was a momentous moment for our nation and the world as we witnessed the beginning of the Obama-Biden Administration. As you return today to consider the pressing issues confronting the Administration and Congress, I am writing you regarding the Senate Banking Committee's review of the qualifications of five appointees for President Barack Obama's Administration: the Honorable Mary Shapiro as Chairman of the Securities and Exchange Commission; Mr. Daniel Tarullo for the Federal Reserve Board; Dr. Christina Romer as Chairman of the Council of Economic Advisors; and Drs. Austan Goolsbee and Cecilia Rouse as members of the Council.

These are distinguished nominees, and CUNA encourages their timely confirmation. However, because each of them will face unprecedented challenges, we also support your efforts to ensure key issues are addressed during the Senate's consideration of their nominations, as well as during the Senate Finance Committee's upcoming review of Treasury Secretary-designate Timothy Geithner. These issues include the implementation of the Troubled Assets Purchase Program (TARP), assistance for home mortgage borrowers in need of relief, and mark-to-market accounting.

CUNA is the largest credit union advocacy organization representing approximately 90% of the nation's 8,200 state and federal credit unions that serve more than 91 million members.

Treasury Has Ignored the Law and the Needs of Credit Unions

While the U.S. Treasury is the agency charged with implementing the Emergency Economic Stabilization Act (EESA), these nominees will have an important voice in key decisions regarding the use of TARP funds to mitigate the economic crisis.

Both of you have raised concerns that we share regarding Treasury's implementation of EESA. As you, Mr. Chairman, stated on the Senate floor during the debate on the resolution regarding the remaining TARP funds, the current Treasury's management of the TARP money has been "terribly disappointing.



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Regrettably, the Treasury's complete disregard and unwillingness to consider assistance for credit unions under EESA is a prime example of the arbitrary decisions that have been the hallmark of the agency's implementation of the TARP.

In general, credit unions are doing well and working hard to make funds for loans available to individuals and member businesses, to the extent statutory limitations permit. However, there are credit unions in such states as California, Arizona, Nevada, and Florida that have been seriously hurt by the impact of the problems in their markets.

Yet, while EESA clearly includes credit unions among the institutions that should be eligible for TARP assistance, there has been NO serious consideration at Treasury of credit unions' needs for TARP relief. (There is also a provision in EESA that Treasury "shall take into consideration...ensuring that all financial institutions are eligible to participate in the program, without discrimination based on size, geography, form of organization....." This provision has been ignored by the agency.)

Meanwhile, the largest as well as very small banks have received TARP assistance without any coherent rationale for which ones were selected or an understanding of how the funds would be used. One of the results of the TARP funding for the banks and others has been to subsidize more attractive rates on savings than mutual institutions in some areas are able to match.

We are not opposing TARP assistance for others, and we are hopeful that the recipients will soon begin to help their communities by providing loans. However, it is important for the credit union system that the National Credit Union Administration be able to work with the Treasury Department to ensure credit unions that need access to TARP assistance are able to get it.

In addition, we urge the establishment, as quickly as possible, of the troubled asset purchase program, which was the centerpiece of EESA. In light of accounting considerations and safety and soundness concerns, such a program could be significant in helping to stabilize the financial markets by establishing a value for problem mortgages and asset-based securities. We also want to work with Congress, the Treasury, and NCUA to ensure any assistance credit unions receive through TARP or from NCUA could be included as capital, as banks are able to do for the government funds they receive.

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Help for Troubled Home Owners

We also recognize the need for help for troubled homeowners. In that connection, we support efforts from Congress and the new Administration to ensure institutions are encouraged to work with eligible home owners to achieve reasonable mortgage loan modifications so that borrowers can remain in their homes.

Fair Value Accounting

Finally, we know you are well are of the problems financial institutions face in implementing fair value accounting. We appreciate that Congress should not interfere in the establishment of accounting principles. However, additional guidance on the reporting of assets that are "other than temporarily impaired" is essential, and we call on you to encourage the SEC to continue working with FASB to address this issue expeditiously.

We understand that as leaders in the U.S. Senate, you are facing many difficult issues, and we appreciate your efforts to develop solutions that will help our economy, including credit unions. Thank you for your attention to the concerns CUNA is rising on behalf of credit unions and their members. I would welcome the opportunity to discuss these matters further if that would be useful to you.

Sincerely,

Daniel A. Mica President and CEO

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