CUNA
Credit Union National Association
601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | PHONE: 202-638-5777 | FAX: 202-638-7734
cuna.org
DANIEL A. MICA
PRESIDENT & CEO

February 3, 2009

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 Chairman Frank and Ranking Member Bachus,

On behalf of the Credit Union National Association (CUNA), I am writing in support of H.R. 786, a bill that makes permanent the deposit insurance limits enacted as part of the Emergency Economic Stabilization Act of 2008. CUNA represents approximately 90% of America's 8,200 state and federally chartered credit unions and their 90 million members.

CUNA strongly supports H.R. 786, which increases the insurance coverage limits of not only the National Credit Union Share Insurance Fund (NCUSIF) but also the FDIC. This legislation is an important step to maintain depositor confidence in banks and credit unions. However, we encourage you to consider three additional modifications to the legislation.

Extension of Restoration Plan Period

As you know, the National Credit Union Administration (NCUA) recently announced a plan to guarantee deposits in corporate credit unions. This action will cause the NCUSIF to drop below 1% of insured deposits and require a significant premium to be paid by natural person credit unions prior to the end of the year. If NCUA was permitted to implement a replenishment plan over multiple years, as FDIC is permitted to do, the effect of this premium on credit union net worth and return on assets could be minimized. However, the Federal Credit Union Act requires NCUA to replenish the NCUSIF within the year that the fund drops below 1.2% of insured deposits.

FDIC is currently permitted five years to replenish their insurance fund, and section 2 of H.R. 786 would extend this period of time to eight years. We ask that you support an amendment to this legislation to provide a similar restoration period for NCUSIF.

Borrowing Authority

Section 3 of H.R. 786 would increase the FDIC borrowing authority from $30 billion to $100 billion. NCUA has similar, but much more limited, borrowing authority, which has not been increased since the NCUSIF was created in the 1970's. As credit unions continue to be affected by the financial crisis, we support additional lending authority for NCUA, and believe that the amount necessary, given the growth of the industry over the last 35 years, is approximately $10 billion. We would encourage you to support an amendment to this legislation providing an increase in NCUA borrowing authority.

AMERICA'S CREDIT UNIONS®
PO Box 431 | Madison, WI 53701-0431 | 5710 Mineral Point Road | Madison, WI 53705-4454 | PHONE: 608-231-4000

Systemic Risk Authority

Finally, we respectfully request that you consider providing systemic risk authority to NCUA, on a similar basis to that provided to FDIC. While we cannot imagine that Congress intended NCUA would not have such authority, the FDIC was able to point to specific provisions in its Act to provide unlimited deposit insurance coverage for non-interest bearing transaction accounts. Without a specific systemic risk provision, NCUA has been reluctant to take this action. We believe that given the uncertainty of the economic crisis, parallel authority for NCUA to address systematic risk issues in a timely fashion is reasonable.

On behalf of the Credit Union National Association, we appreciate the opportunity to comment on this important piece of legislation before the House Financial Services Committee.

Sincerely,

Daniel A. Mica
President & CEO