



CUNA

Credit Union National Association

cuna.org

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March 31, 2009

The Honorable Michael Crapo
United States Senate
Washington, DC 20510

Dear Senator Crapo:

On behalf of the Credit Union National Association (CUNA), I am writing in support of your amendment to S. 414, which would increase the National Credit Union Administration (NCUA) borrowing authority and permit credit unions pay the impending premium over multiple years. CUNA represents nearly 90 percent of the 8,000 state and federally chartered credit unions and their 92 million members.

Your amendment would increase the National Credit Union Share Insurance Fund's borrowing authority from Treasury from \$100 million to \$6 billion, and includes a provision that would increase the authority to \$18 billion in exigent circumstances. The amendment also provides express authority for NCUA to spread out the impending premium assessment over five years, which the agency feels it could not do under current law.

Credit unions are facing significant costs related to NCUA's actions concerning corporate credit unions, including an insurance premium. Placing the two largest corporate credit unions into conservatorship on March 20, 2009 was the latest step NCUA has taken this year in this regard. These credit unions experienced losses as a result of declines in the values of mortgage-backed securities in which they had invested. Although these securities were originally AAA-rated and appeared prudent when they were made, market developments proved to the contrary. The credit union system itself is funding the losses on these investments. While credit unions expect to pay for the problem themselves, they would like to spread the losses over time, as banks are permitted to do.

Since late January, CUNA has been strongly urging the NCUA to develop a legislative proposal aimed at mitigating the cost of the premium on credit unions. Last Thursday, the NCUA Board finally approved a proposal that would establish a stabilization fund to back-up the NCUSIF. CUNA strongly supports NCUA's legislative proposal and welcomes Congressional efforts aimed at reducing the immediate costs to credit unions. This will not only ease the burden credit unions face, but also make it easier for credit unions to continue to provide loans and the level of other services their members need in these very difficult economic times.



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The Honorable Michael Crapo
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Page Two

Your amendment, which is consistent with the spirit of the NCUA proposal, is a significant step forward toward providing credit unions some relief from the immediate impact of the premium assessment. We would welcome the opportunity to discuss whether a seven or eight year repayment period similar to what the FDIC has requested for banks, as well as higher borrowing authority for the agency, could be achieved. Another important tool for NCUA to address corporate credit union issues would be to allow the Central Liquidity Facility to provide short-term loans directly to corporate credit unions, and we encourage support for this statutory change as well.

In any event, we appreciate your efforts to address these matters in this legislation and look forward to working with you on these issues.

Sincerely,

A handwritten signature in black ink that reads "Daniel A. Mica". The signature is written in a cursive, flowing style.

Daniel A. Mica
President & CEO