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Chairman Moore, Ranking Member Biggert and members of the subcommittee, I am John Beverlin, President and CEO of Mainstreet Credit Union. I am also on the Board of the Kansas Credit Union Association. I am here today to share information on how Mainstreet Credit Union has fared during these tough economic times and to express my thoughts on what we face in the future.

Mainstreet Credit Union, formerly the Credit Union of Johnson County, is a $260 million cooperative serving over 52,000 members in the greater Kansas City Area. We were chartered in 1953 by a group of school teachers who wanted to control their own financial destiny. We served just Johnson County, Kansas with four full service branches until five years ago. In the last two years we have merged with three smaller credit unions adding branches in Lawrence, Leavenworth, and on the campus of the Midwestern Baptist Theological Seminary in Kansas City. We serve employees of the Community College, where this meeting is being held, operating a satellite branch in the Student Center. We also serve the employees of Shawnee Mission Medical Center and the Honeywell plant in Olathe, as well as, one hundred employee groups. I share this information so that you understand the diverse group we serve.

While the Kansas City area has fared better than some areas of the country, Mainstreet Credit Union has had employee groups that have faced employment uncertainty or layoffs. This continues today.

In 2009, Mainstreet, like other credit unions, was making adjustments to our operations to better survive the economic downturn. Issues beyond our control soon took over. Early in 2009 NCUA placed US Central Federal Credit Union into conservatorship despite the fact that the overwhelming majority of US Central's investments held investment grade ratings at the start of the crisis. The conservatorship caused assessments or write downs to Mainstreet Credit Union for the year 2009, of over $627 thousand, over a third of our anticipated net income for the year. We did nevertheless record a positive bottom line for the year and we remain very well capitalized, but this issue resulted in Mainstreet having to look for further adjustments to our operations. We reviewed expenses, froze management salaries, reduced the amount of raises to other employees, cut contributions to employee retirements and looked for other ways of cutting.

Some good things happened in 2009. Loans grew. It was not because more members felt confident in their future, it was a result of larger lenders exiting the lending market. We issued over 2180 auto loans for over $30 million for the year 2009. This was a 195% increase. We also issued over 336 mortgages for over $46 million, a 75% increase. While these may not be impressive numbers to some financial institutions, these are impressive numbers for us.

In the end we survived 2009. How do I think we survived? I think a good part of it has to do with Mainstreet's conservative approach to business. Mainstreet's conservative approach comes as a result of having a board of directors made of primarily educators, about as conservative a group as you can get. Mainstreet also maintains a diversified loan portfolio, avoiding concentrations in any one area. Another part of it has to do with the nature of a credit union. As a financial cooperative, a member is an owner of their credit union. And we know our member/owners. We work with members when they are faced with financial difficulty. I have attached examples of how we worked with a couple of our members when no one else would.

So far we have faced continuing challenges in 2010. We have had an assessment of $295 thousand for corporate stabilization so far in 2010 from NCUA with an additional premium for 2010 of up to $400 thousand expected.

Mortgage lending continues to be on an increase for Mainstreet so far in 2010, closing $24 million year to date. However, auto loans are down. Large national auto lenders, including GMAC and Ford Motor Credit, have re-entered the market utilizing subsidized rates as low as 0%. Local lenders such as Mainstreet cannot compete with these rates.

We continue to review expenses for further cuts. To date we have not laid off any employees and have refrained from increasing fees to our members.

We anticipate additional premiums for several years to come while NCUA continues to determine what to do with investments from US Central and the possibility of additional losses to the insurance fund.

We also continue to review expenses for areas to cut, look for ways to lend money, our main source of income, and ways to better serve our members. NCUSIF assessment aside, these are things we do every year. What was unique for us this past year and what will pose additional concerns for us in the future are legislative and regulatory burdens. It seems to me that the mere presence of this subcommittee and the topic of today's discussion, that there is agreement that Midwest banks and credit unions did not cause the financial crisis we are all dealing with. Yet, we all seem to be grouped together when any attempt is made to look for solutions to the crisis.

- This past year Mainstreet Credit Union has had to deal with legislated changes to our credit card portfolio.

- While not one of the abuser's of fees on over draft protection, we spent almost $50,000, educating our members because of the imposed regulatory change.

- The recent passing of financial reform legislation with an amendment on debit/credit card interchange will result in additional lost revenue.

We are concerned with where it will all stop. Any additional legislation or regulation will result in additional financial burden and more manpower to implement.

One area where I think credit unions can help in the future is the area of business lending to members. Mainstreet Credit Union does not currently do business lending per se. We have done loans to members who may need a truck because they have a plumbing business as a second job. Or we have loaned money to the contract postal carrier for a right hand drive vehicle. These loans were all under $50,000 each and fall under the floor for being considered a business loan.

An arbitrary business lending cap of 12.25% of assets was legislated in 1998 as part of the field of membership legislation. Mainstreet Credit Union has not been willing to make the financial investment in hiring qualified personnel and purchasing the necessary software or equipment with the existing cap in place. It is hard to justify putting everything needed in place with the cap at the current level. It would seem to me the most qualified group to determine what an individual credit union should have outstanding in business loans would be our regulator. A regulator is in a better position, while examining a credit union for risk, to determine an appropriate cap. An appropriate cap for Mainstreet may not be the same cap for XYZ credit union.

Mainstreet Credit Union will survive and continue to serve our members. We are anticipating continued pressure on our bottom line for the next three to five years. But at what cost and to whom? The impact of these regulatory changes will ultimately fall on the shoulders of our members and Kansas consumers. (It is important to note that as a not-for-profit cooperative, we are not after net income just for its own sake. Retained earnings are our only source of capital, and we need to maintain our capital to protect our members and the share insurance fund.)

In conclusion, Mr. Chairman, I appreciate the subcommittee taking the time to explore these important issues. If I can offer any other input from a credit union perspective please let me know. Thank you for inviting me to testify.