



**National Association of Federal Credit Unions**  
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Fred R. Becker, Jr.  
*President and CEO*

October 20, 2008

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Spencer Bachus  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Frank and Ranking Member Bachus:

I am writing on behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions, in conjunction with your upcoming hearing entitled "Regulatory Restructuring and Reform of the Financial System."

The mortgage practices that caused the subprime crisis stand in stark contrast to the credit union guiding principle of "people helping people." NAFCU is pleased that credit unions did not cause the turmoil in the housing market, which has led to this deepening crisis. This was due in part to the oversight that the National Credit Union Administration (NCUA) provided the credit union community. We believe that the unique nature of credit unions as member-owned, not-for-profit cooperatives warrants an independent regulator that recognizes these unique characteristics and is singularly focused on maintaining the safety and soundness of the industry. NAFCU therefore emphasizes the importance of federal credit unions continuing to be subject to regulatory oversight by an independent agency that recognizes the special nature of credit unions. Even though the current economic meltdown has impacted everyone, we believe the fact that credit unions were not responsible for the economic turmoil is testament to the current framework of having an independent regulator for credit unions.

Credit unions did not cause this crisis, but our members recognize that it is important to be part of the solution. Credit unions are inherently invested in their communities and stand ready to help in these troubling economic times. Our member credit unions continue to strive to best serve their members, however, some challenges remain.

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Unlike other financial institutions, credit unions do not have a capital system that appropriately accounts for risk. A modernized risk-based capital system that would more closely emulate the capital standards for FDIC-insured banks would better enable NCUA to assign more appropriate capital standards to credit unions based on their risk.

Additionally, in this current credit crunch, credit unions would like to provide members with more access to capital. It is disappointing that given the current economic environment where capital is limited, the arbitrary member business lending cap placed on credit unions over a decade ago remains in place. A 2001 Treasury Department report indicated that credit union business lending meets the needs of America's small businesses that other institutions are unable to serve. This statement rings true even more so today in the midst of the current credit crunch that we are facing. A slight modification of the current cap of 12.25% of assets to 20% of assets would allow credit unions to lend millions more to our nation's small businesses and help stimulate the economy, at no cost to the taxpayer.

NAFCU appreciates the opportunity to share our thoughts on this important topic and on opportunities for credit unions to do more to be part of the solution. We look forward to working with you and your staff as the committee continues to address the current crisis. Should you have any questions or require any additional information please do not hesitate to contact me or Brad Thaler, NAFCU's Director of Legislative Affairs at 703-522-4770.

Sincerely,



Fred R. Becker, Jr.  
President/CEO

cc: Members of the House Committee on Financial Services