



Credit Union National Association

cuna.org

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February 9, 2012

The Honorable Peter King
Member of Congress
United States House of Representatives
Washington, DC 20515

The Honorable Brad Sherman
Member of Congress
United States House of Representatives
Washington, DC 20515

Dear Representatives King and Sherman:

On behalf of the Credit Union National Association (CUNA), I am writing in support of your legislation to clarify the National Credit Union Administration (NCUA) authority to improve credit union safety and soundness. CUNA is the largest credit union advocacy organization in the United States, representing nearly 90% of America's 7,300 state and federally chartered credit unions and their 94 million members.

The lesson of the most recent financial crisis for financial institutions is that capital is king. Capital is also the first line of defense in protecting taxpayers from deposit insurance losses. It is in everyone's best interest to have financial institutions that are well capitalized and able to weather whatever difficulties may occur.

Credit unions are the only financial institutions in the United States with capital requirements written into statute, and no ability to raise capital other than through retained earnings. While credit unions as a whole remain well capitalized, a number of credit unions are close to or past the prompt corrective action (PCA) triggers as a result of the financial crisis. For these credit unions and others, rebuilding capital ratios will be paramount in the coming years.

Your legislation would permit the NCUA Board to allow credit unions to accept other forms of capital, provided that it does not alter the cooperative ownership structure of credit unions. The legislation requires that this capital be uninsured and subordinate to other claims against the credit union. Further, the bill authorizes the NCUA to set maturity limits on this capital and restrict the ability to raise supplemental capital to credit unions which are sufficiently capitalized and well managed.

We believe your legislation would provide credit unions with appropriate ability to raise capital from sources other than retained earnings without putting in jeopardy the "one member, one vote" principle that is the bedrock of the credit union ownership structure. As credit unions emerge from the financial crisis, this legislation would improve the safety and soundness of credit unions by allowing them to develop a supplemental cushion to reduce risk to the National Credit Union Share Insurance Fund.



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On behalf of America's credit unions and their 94 million members, thank you very much for introduced this legislation. We look forward to working with you to secure its enactment.

Best regards,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping horizontal line extending to the right.

Bill Cheney
President & CEO