



November 14, 2008

The Honorable Christopher Dodd
Chairman
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

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 Chairmen Dodd and Frank and Ranking Members Shelby and Bachus:

In today's volatile market, Congress continues to emphasize the responsibility of regulators to ensure that financial institutions operate safely and soundly, thus protecting American taxpayers. The NASCUS¹ Board of Directors and NASCUS state regulators urge you to enact legislation allowing supplemental capital for credit unions before Congress adjourns for the year. To accomplish this, a simple change can be made to the definition of net worth in the Federal Credit Union Act. The suggested amended language follows:

Net worth is defined in §1757a(c)(2)(A):
(2) **Net worth.**—The term 'net worth'--
(A) with respect to any insured credit union, means the credit union's ~~retained earnings balance capital,~~ **capital**, as determined under generally accepted accounting principles; and

Access to supplemental capital will enhance the safety and soundness of credit unions and provide further stability in this unpredictable market. Further, supplemental capital reform will provide an additional layer of protection to the National Credit Union Share Insurance Fund (NCUSIF) thereby maintaining credit unions' independence from the federal government and taxpayers.

While credit unions remain safe and sound in this troubled and volatile market, allowing credit unions access to supplemental capital will enhance their ability to react to market conditions, grow safely into the future, serve their nearly 87 million members and provide further stability for the credit union system. We feel strongly that now is the time to permit this important change. Unlike other financial institutions, credit union access to capital is limited to reserves and retained earnings from net income. Since net income is not easily increased in a fast-changing environment, regulators recommend additional capital-raising capabilities for credit unions. Access to supplemental capital will enable credit unions to respond proactively to changing market conditions, enhancing their future viability and strengthening their safety and soundness.

¹ NASCUS is the professional association of state credit union regulatory agencies that charter, examine and supervise the nation's 3,300 state-chartered credit unions.

As regulators, we are committed to taking every feasible action to protect credit union safety and soundness – we must afford the nation’s credit unions with the opportunity to protect and grow liquidity as well as the tools to react to unusual market conditions.

Please consider enacting supplemental capital reform for credit unions before Congress adjourns for the year. Thank you for your time and immediate attention to this matter. NASCUS would be pleased to offer expert testimony on these issues, as it has in the past.

Sincerely,

George Reynolds, NASCUS Chairman
Senior Deputy Commissioner
Georgia Department of Banking and Finance

Thomas J. Candon, NASCUS Chairman-Elect
Deputy Commissioner
Vermont Department of Banking, Insurance
Securities, and Health Care Administration

Suzanne Cowan, NASCUS
Secretary /Treasurer
Director
Wisconsin Office of Credit Unions

James E. Forney
Director
Iowa Department of Commerce

Mary Hughes
Financial Institutions Bureau Chief
Idaho Department of Finance

Linda Jekel
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Washington Division of Credit Unions

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Roger W. Little
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Orla Beth Peck
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