




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

February 5, 2008

The Honorable Michael E. Fryzel  
National Credit Union Administration Board  
1775 Duke Street  
Alexandria, VA 22314

RE: Alternative Approach to NCUA's Corporate Credit Union Stabilization Plan

Dear Chairman Fryzel: 

In a letter to you dated February 2, 2009, I expressed to you the National Association of Federal Credit Union's (NAFCU) deep concerns regarding the National Credit Union Administration's (NCUA) Corporate Stabilization Plan and its anticipated impact on NAFCU's natural person credit unions. In that letter, we urged you to consider various alternative approaches to the plan. We continue to believe that less costly alternatives should be pursued before implementing NCUA's plan.

The gravity of the impact on NCUA's plan has become clear to our member credit unions, who are distressed and examining all possible solutions to minimize loss. As you are aware, the plan's cost to credit unions is anticipated to be a 62 basis points reduction on credit unions' return on assets (ROA) and an average net worth ratio reduction of 56 points. While we agree with the NCUA that bold and swift actions are necessary, we are seriously concerned that NCUA's proposed actions, much of which are due to the statutory constraints imposed on the agency, are too harsh.

As I have expressed to you previously, NAFCU believes that the credit union industry must pursue every possible avenue to minimize the loss to credit unions. One possible solution is to lift the restriction in the Federal Credit Union Act that the Central Liquidity Facility (CLF) functions to serve the liquidity needs of only natural person credit unions. We believe that expanding the purpose and function of the CLF would ease corporate credit unions' liquidity needs, and consequently alleviate the tremendous pressure on natural person credit unions and the industry as a whole. To this end, we will be requesting that Congress amends the Federal Credit Union Act so that credit unions' liquidity and capital needs can be met. Our proposal is as follows:

**Proposed Amendments to the Federal Credit Union Act (12 U.S.C. §§ 1751-1795)**

**Section 1795**

Proposed text change (underlined & italicized):

The Congress finds that the establishment of a National Credit Union Central Liquidity Facility is needed to improve general financial stability by meeting the *liquidity needs and capital* needs of credit unions, and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

**Section 1795a**

Proposed text change (underlined & italicized):

(1) "liquidity needs" means the needs of credit unions *primarily serving natural persons* for—

(3) ...Reserves shall not be considered as part of surplus;

(4) "member means a Regular or an Agent member of the Facility, *and*

(5) "*capital needs*" means *cash available to meet the needs of credit unions*

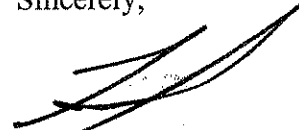
*(A) to increase reserves; or*

*(B) to meet the needs of credit unions as otherwise prescribed by the Board.*

We believe that the proposed legislative change would provide much needed access to liquidity and capital for corporate credit unions, and better enable the credit union industry as a whole to cope with the immense challenges it now faces. Accordingly, we respectfully ask you to support our proposal.

Should you have any questions or would like to discuss this issue further, please call me or Dan Berger, NAFCU's Senior Vice President for Government Affairs, at (703) 522-4770 or (800) 336-4644, extension 203.

Sincerely,



Fred R. Becker, Jr.  
President/CEO

FRB/tt

Cc: Vice Chairman Rodney E. Hood

Cc: Board Member Gigi Hyland

*Mr. Chairman -  
We will appreciate  
your careful consideration  
of this legislative proposal  
that we believe will  
significantly help our industry  
in these difficult economic  
times.  
Thanks so much for  
your support!*