



Credit Union National Association

cuna.org

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Members of the U.S. House of Representatives
Washington, DC 20515

Dear Representative:

On behalf of the Credit Union National Association (CUNA), I am writing regarding H.R. 1693, a bill exempting community banks from the application of Basel III capital standards, and H.R. 719, which would strengthen credit unions' capital. CUNA is the largest credit union advocacy association in the United States, representing nearly 90 percent of America's 7,000 state and federally chartered credit unions and their 96 million members.

The lesson of the most recent financial crisis for financial institutions is that capital is king. It is the first line of defense in protecting federal deposit insurance funds from losses, and it is in everyone's best interest to have financial institutions that are well capitalized and able to weather difficulties.

As Congress addresses the question of whether to exempt small banks from the Basel III capital requirements, we encourage Congress also to address the capital concerns that credit unions have, specifically, the statutory capital restrictions to which credit unions are already subject. To be clear: we would have very significant concerns if Congress were to exempt the small banks from the Basel III capital requirements and not at the same time address reforms to credit union capital requirements.

Credit unions' capital requirements are written into statute, and most credit unions cannot raise capital other than through retained earnings. Allowing all credit unions access to supplemental forms of capital and implementing a risk-based capital system would promote safety and soundness within the credit union sector and create an additional buffer between credit unions, the National Credit Union Share Insurance Fund and, ultimately, the taxpayer.

Strong capital requirements are in the best interests of consumers and financial institutions. Reforms to financial institution capital standards should be done through a process that includes consideration of capital reform for credit unions as well as for community banks. Representatives Peter King and Brad Sherman have introduced legislation, H.R. 719, the Capital Access for Small Businesses and Jobs Act, which would allow credit unions to raise supplemental capital and would be consistent with their not-for-profit, cooperative model. We encourage all Members inclined to support H.R. 1693 to also support H.R. 719.

America's credit unions and their 96 million members stand ready to continue to be part of the solution to the economic problems our nation faces, and we look forward to working with Congress on issues related to capital reform.

Best regards,

Bill Cheney
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