



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

February 8, 2011

The Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Ryan and Ranking Member Van Hollen:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing our nation's federal credit unions, I am writing to you regarding tomorrow's hearing entitled "The State of the U.S. Economy" with Federal Reserve Chairman Ben Bernanke, and to share some of NAFCU's views on how our economic situation can be improved.

Credit unions, which have a strong track record in serving their members, were not the cause of the nation's current economic problems. Nevertheless credit unions are today the most heavily regulated of all financial depository institutions. The impending promulgation of regulations stemming from the enactment of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and the establishment of the Consumer Financial Protection Bureau will result in increased compliance burden and added costs for credit unions and the 92 million Americans they serve. NAFCU therefore requests that the Committee exercise careful and prudent oversight of those federal agencies charged with the law's implementation to ensure that our nation's credit unions are able to continue to serve their members effectively.

In particular, NAFCU is very concerned about the economic impact of Section 1075 of *Dodd-Frank* (the "Durbin Amendment"), which calls on the Federal Reserve to write a rule implementing new price caps on debit interchange fees charged to merchants and retailers. The price-fixing contained in the Federal Reserve's proposed rule will lead to job losses, higher costs to consumers, and may even force some small financial institutions out of business. NAFCU strongly urges Congress to take immediate action to repeal the Durbin Amendment, and thereby prevent the rule from becoming final and going into effect later this year. We believe Congressional action is needed because the Federal Reserve, in drafting its proposed rule, failed to consider numerous critical and determining factors that impact the cost of maintaining a debit card portfolio at a not-for-profit credit union.

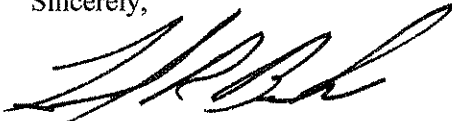
Finally, NAFCU believes that the strength of the economy and labor force is strongly influenced by the health and well being of the small business community. Unlike many banks, credit unions stand ready to assist our nation's small businesses with their lending needs. As you know, many small businesses have lost important lines of credit from other lenders in recent months. Unfortunately, due to an antiquated arbitrary cap (12.25% of total assets) on their member business lending, credit unions' business lending remains unfairly restricted. While there are a number of credit unions at or approaching the arbitrary cap,

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many more have capital to lend but have not fully developed their business lending programs because of this artificial and arbitrary limitation on their business lending. NAFCU therefore strongly urges you to support legislation removing or increasing this arbitrary 12.25% cap.

We thank you for the opportunity to address these important issues and we look forward to working with you in the 112th Congress. Should you have any questions or need additional information, please do not hesitate to contact myself or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at 703-842-2204.

Sincerely,

A handwritten signature in black ink, appearing to read "F. Becker, Jr.", written in a cursive style.

Fred R. Becker, Jr.
President/CEO

cc: Members of the U.S. House Budget Committee