



National Association of Federal Credit Unions
3138 10th Street North • Arlington, Virginia • 22201-2149
703-522-4770 • 800-336-4644 • 703-522-0594

B. Dan Berger
Executive Vice President
Government Affairs

July 26, 2011

The Honorable Randy Neugebauer
Chairman
Subcommittee on Oversight and
Investigations
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

The Honorable Michael Capuano
Ranking Member
Subcommittee on Oversight and
Investigations
House Financial Services Committee
United States House of Representatives
Washington, D.C. 20515

Dear Chairman Neugebauer and Ranking Member Capuano:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents our nations federally chartered credit unions, I am writing with respect to tomorrow's hearing on the impact of the Dodd-Frank Act on the credit rating industry. We appreciate the subcommittee's focus on requirements to remove statutory references to credit ratings from law and regulation. NAFCU recognizes that simply relying on credit ratings in conducting credit risk analysis may be inappropriate and insufficient in particular situations. We also believe that the role of credit ratings agencies in the economic crisis has not been adequately addressed.

While NAFCU understands and supports Congress's intentions in addressing the over-reliance on credit agencies by institutional investors, we remain concerned, however, that the National Credit Union Administration's (NCUA) proposed rule on removing references to the credit rating agencies in regulation will have an adverse impact on credit unions. As you may know, the proposed rule for investments and counterparty transactions would replace the current minimum credit rating requirement with a requirement that credit unions conduct their own internal credit analysis of their investment pursuant to a particular narrative standard. Forcing credit unions to hire outside experts to conduct such analysis will inevitably increase the costs associated with investment undertakings and counterparty transactions.

Again, while NAFCU understands and acknowledges that relying on the credit rating agencies in conducting credit risk analysis may be detrimental in some situations, we urge Congress, on a bipartisan basis, to continue to exercise oversight on this complex and important issue. If my colleagues or I can be of assistance to you or if you have any questions regarding this issue, please feel free to contact myself, or NAFCU's Vice President of Legislative Affairs, Brad Thaler, at (703) 842-2204.

Sincerely,

B. Dan Berger
Executive Vice President, Government Affairs

cc: Members of the Subcommittee