



**National Credit Union Administration  
Office of the Chairman**

November 13, 2008

The Honorable Henry M. Paulson  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Secretary Paulson:

On October 3, 2008, with your leadership, Congress enacted and the President signed into law the Emergency Economic Stabilization Act of 2008.

One of the core purposes of the Act was that Treasury would purchase certain paper held by financial institutions that, if retained by them, could cause their economic condition to suffer. The inclusion of this provision, the Troubled Assets Relief Program (TARP), in the Act was welcomed by credit unions and seen as the mechanism which would enable many of them to remain safe, solvent, and secure.

While the majority of credit unions are not in need of such relief, there are some which may require its use.

Although I can understand the initial actions that Treasury has taken to help the large banks, insurance companies, and other major financial institutions that have faltered or failed, I am concerned about the second-place status into which credit unions and other smaller financial institutions have been placed.

We have asked Treasury to inform us of the procedures to follow which would allow credit unions access to the funds authorized under TARP. We were told they are being delayed. However, we were not told when we could expect those procedures to be ready.

Yesterday, you stated that Treasury would not use the funds authorized by Congress to purchase illiquid assets. This concerns me, inasmuch as Congress was specific in the legislation that this was a primary purpose of the rescue package.

If recent history is a guide, year-end financial statements could show all types of depository institutions, including credit unions, with losses that will underscore the continuing deterioration in the credit markets. Furthermore, these developments would severely undermine the confidence of the citizens of this country at a time when the federal government is expected to be undertaking firm and coherent steps to improve the situation.

As a regulator and insurer of 8,000 financial institutions, I must be proactive rather than reactive. The financial climate demands that I have all the tools I need to protect the savings of the 90 million people who use credit unions.

I respectfully request you reconsider your position and immediately make a portion of the TARP funds available for the purchase of troubled assets from credit unions and others.

I am requesting that your staff expedite the process by which credit unions can become Act participants so that I can inform federally insured credit unions by month's end of what they need to do.

If mitigating steps are not made available through TARP before year-end, some credit unions experiencing difficulties could face a considerably worsened financial environment and would require more costly remedial action. I am committed to work constructively with you and your Department to make certain that appropriate federal assistance is available.

Your efforts in securing the required action would be appreciated.

Sincerely,

/s/

Michael E. Fryzel  
Chairman

cc: Vice Chairman Rodney Hood  
Board Member Gigi Hyland