



**NCUA**  
National Credit Union Administration

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# Central Liquidity Facility

## The Impact of the Expiration of the CARES and Consolidated Appropriation Acts

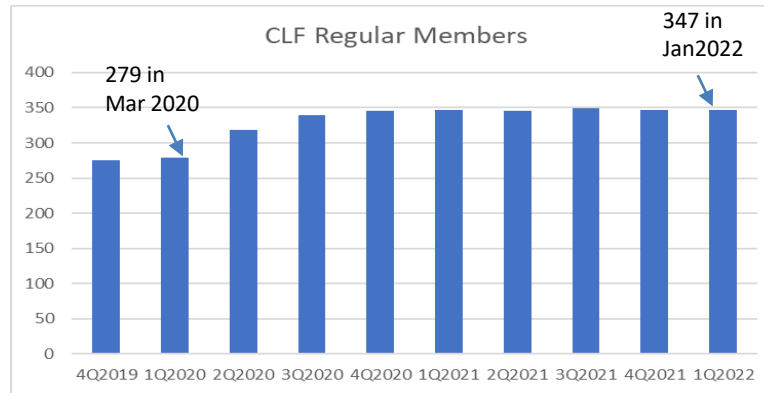
January 27, 2022

# The Central Liquidity Facility

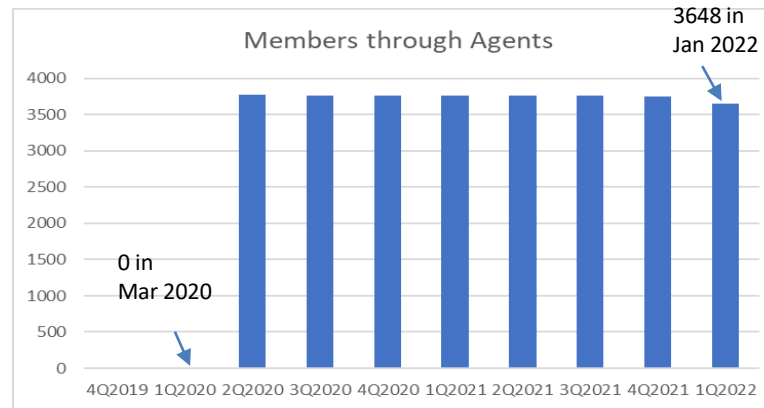
- The Central Liquidity Facility, or CLF, is an NCUA-operated, mixed-ownership U.S. government corporation.
  - Improves the general financial stability of the credit union industry by meeting the liquidity needs of individual credit unions.
  - Serves as a back-up source of liquidity for both federal and state-chartered credit unions.
  - Authorized to make loans to the National Credit Union Share Insurance Fund (NCUSIF).
  - Funded exclusively through earnings on investments.
- The CLF plays an essential role in:
  - Providing a liquidity backstop during periods of financial crisis or uncertainty.
  - Assisting with the advancement of providing thrift and credit.

# CLF Membership

- Regular members of the facility

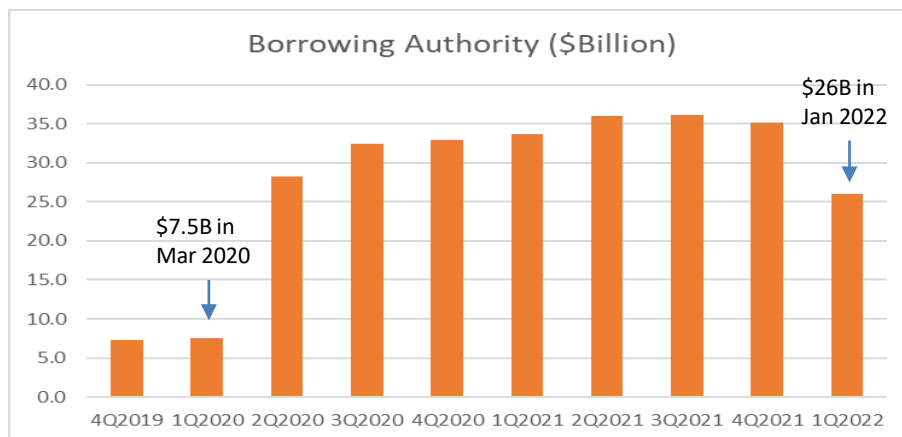


- Membership through Corporate Agents



# CLF Sources of Funds

- The CLF has several sources of funds that it can use to fund advances to its members. Limitations exist on the amount of funds available from each source.
  - The CLF Operating Account and advances from the Federal Financing Bank (FFB).
- The amount that can be borrowed from the FFB is a function of the CLF's subscribed capital stock and surplus



# Title III – FCU Act

- The total amount of funds the CLF has the authority to borrow reverts to a maximum of 12x (from 16x) the subscribed capital stock and surplus of the Facility.
- The flexibility that permitted an Agent member to purchase capital stock for a subset of its membership expired.
- The definition of “liquidity needs” in the FCU Act again references those credit unions “primarily serving natural persons.”
- The flexibility and discretion the NCUA Board had to approve advances for CLF members that had made a reasonable effort to first utilize a primary source of funding expired.
- Without action by congress to reinstate them, these valuable reforms are lost.

# Part 725 – The CLF Rule

- The 6-month waiting period for a new member to receive a loan is permanently eliminated.
- The requirement for 6-month and 24-month notice periods for membership redemptions will be reinstated as of January 1, 2023, unless Congress acts to retain this provision.
- The regulatory provisions related to corporate credit unions purchasing capital stock are removed.
- The amount of collateral required to secure a CLF loan is permanently changed from a net book value of at least 110% of the loan, to a net book value at least equal to an amount as required by the CLF's collateral margins table posted on the NCUA's website.

# Impact on CLF Members

- Credit unions included in an Agent's group continue to have access to the CLF, so long as the Agent maintains its membership in the CLF. This authority will now end on December 31, 2022.
- If a credit union belongs to an Agent group that is dissolved, the credit union can still access advances from the CLF by becoming a regular member of the facility at any time.
- New members can borrow as soon as they complete new member documents and pay the required capital stock amount.
- Collateral requirements may allow for a greater amount of borrowing.
- Narrower loan authority is reinstated.

# Impact on CLF Members

- As of December 31, 2021, a corporate credit union is no longer permitted to borrow from the CLF for its own needs.
- Any corporate credit union or corporate credit union group that became an Agent member under the CARES Act provision permitting an Agent to purchase stock for only a subset of its membership, must within one year from the sunset date, either:
  1. Purchase CLF stock for all of its member credit unions; or
  2. Terminate its membership in the CLF.
- If a member terminates its participation, the notice period for return of paid-in capital stock is waived between January 1, 2022, and December 31, 2022.



# NCUA Board Seeks Permanent CLF Reform

- November 29, 2021 NCUA Board Letter to Congress requesting:
  - Making temporary improvements permanent including:
    - Increasing maximum borrowing authority
    - Corporate credit union agent member borrowing authority
    - Flexibility in agent member group composition
    - Clarifying language on Board credit granting authority
- The NCUA Board will continue to advocate for making the expired temporary reforms permanent.

# Going Forward

- Ensure a smooth transition and support changes in membership.
- Communicate with members.
- Bolster CLF membership to better serve individual CUs, the Share Insurance Fund and the system overall.
- Increase access to liquidity.
- Continue to advocate for permanent reform.

# Contact Information

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