September 24, 2012

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Delivered Electronically

Subject: Maintaining Access to Emergency Liquidity; RIN. NCUA-3133-AD96

Dear Ms. Rupp:

On Monday, July 30, 2012, the National Credit Union Administration (NCUA) published a notice of proposed rulemaking regarding maintaining access to emergency liquidity. The NCUA initiated the rulemaking in response to the recent financial crisis, which demonstrated the importance of access to reliable emergency liquidity. The Northwest Credit Union Association (Association)[1] appreciates the opportunity to respond to the NCUA's proposal seeking input on maintaining access to emergency liquidity and asks that the NCUA consider a number of alternatives prior to finalizing this rule.

General Comments

The Northwest Credit Union Association commends the NCUA for its thoughtful approach to requirements for credit unions' emergency liquidity policies—specifically the three-tiered approach of considering total assets when prescribing how credit unions maintain access to emergency liquidity.

Credit unions as a whole do not pose a significant risk to the financial system. Aggregate assets of the four largest credit unions are approximately $75 billion, while the four largest banks hold approximately $8 trillion in assets. The single largest asset manager, Black Rock, alone manages assets in excess of $4 trillion. For this reason, the Association supports the position shared by many credit unions that existing tools, such as the Liquidity Policy Statement, are adequate to cover emergency liquidity needs.

Alternatives for Emergency Liquidity

Should the NCUA feel that tools such as the Liquidity Policy Statement are insufficient, the Association urges the use of the emergency liquidity ratio (ELR) as the main determinant of asset thresholds in the proposed rule. The second criteria, interest rate risk, should carry less weight, as interest rates tend to rise gradually, and the Fed Chairman gives a multi-year outlook on when interest rates are expected to rise. Credit unions, therefore, have time to adjust their portfolios accordingly. Using ELR calculation, credit unions with less than $30 million in assets should fall under the basic written policy cohort as they share similar ELR profiles. The ELR profiles of

[1] The Northwest Credit Union Association is a regional trade association representing the interests of more than 200 credit unions and their six million consumer-members; institutions that employ and engage more than 10,000 people and hold more than $50 billion in aggregate assets. The Association is a nonpartisan advocacy organization representing the interests of its member institutions on a variety of systemically important banking issues.

Credit unions affiliated with the Association are principally domiciled in the Northwest quadrant of the United States, but the Association also has members from the states of Alaska, Idaho, California and Hawaii. Learn more about the Association at www.nwcua.org.

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credit unions below $200 million are also very similar and should fall under the contingency liquidity plan (CLP) cohort. The Association understands the position that credit unions with more than $200 million in assets may need to establish an emergency liquidity source and supports the additional option of signing memoranda of understandings (MOUs) with the Federal Home Loan Bank (FHLB).

During the height of the financial crisis, the total outstanding Central Liquidity Facility (CLF) liquidity loans across the credit union system reached $2.1 billion. While the CLF did implement additional programs that subscribed credit unions could access during the crisis, the programs did not provide true access to emergency liquidity covered by the scope of this rule. The current obligation for subscribing proposed in the rule of not less than one-half of one percent of a credit union's unimpaired capital and surplus overcapitalizes the CLF, giving them more emergency lending ability than they could reasonably be expected to provide. Therefore, the NCUA should consider a less burdensome requirement that more accurately reflects the maximum lending capacity necessary for providing emergency liquidity to credit unions above $200 million. If credit unions choose to establish a relationship with the discount window or sign an MOU with the FHLB, the CLF capitalization should be relatively less.

The Association's member credit unions will spend 4,232 hours complying with this rule. Based on NCUA assumptions that across the industry it would take 83,992 hours to implement this rule, the total cost of compliance, based on the 2008 average compliance officer salary of $50,000 and not including additional resources such as paper and ink, will be an estimated $961,538. The Association strongly encourages the NCUA to provide technical assistance through the Office of Small Credit Union Initiatives (OSCUI) to meet the basic written policies and contingency fund plan (CFP) requirements of the proposed regulation. Furthermore the rule should clarify that Available for Sale (AFS) Assets that could cover a liquidity event would be adequate for a CFP.

Conclusion
While liquidity is not currently an issue for the majority of credit unions, the cost of having assets held at par value could lengthen the time it takes to return to pre-recession profitability. The Association asks the NCUA to consider:

1) Liquidity policy statements as adequate for credit unions of all asset sizes;
2) Adjusting the asset sizes that fall under the three tiers;
3) Adding the FHLB as an emergency liquidity option;
4) Adjusting the formula for subscribing to the CLF;
5) Providing technical assistance to help reduce the cost of compliance for small and mid-sized credit unions

Finally, the Association requests that the NCUA extend the implementation date to at least July 2014 to allow credit unions adequate time to prepare for and implement the changes necessary to comply with the final rule.

Thank you for the opportunity to comment on this issue. We would be pleased to answer any questions you may have.

Respectfully,

John Trull
Director of Regulatory Advocacy
Northwest Credit Union Association