September 28, 2012

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: First Carolina Corporate Credit Union – Comments on Notice of Proposed Rulemaking (NPR) for Part 741, Maintaining Access to Emergency Liquidity.

Dear Ms. Rupp:

First Carolina Corporate Credit Union (FCCCU) appreciates the opportunity to comment on the proposed changes to NCUA Regulation Part 741, regarding access to emergency liquidity. As background, FCCCU is a $1.5 billion corporate credit union serving the needs of our member credit unions primarily located in North and South Carolina. We have always been a large supporter of the CLF although coming through the recent financial crisis has left most corporates no longer financially able to purchase CLF stock on behalf of all of its members.

We understand the intent of the NPR and the desire to address emergency liquidity in light of the closure of US Central Bridge and the existing corporate agent program. With the end of the corporate agent program approximately 85% of natural person credit unions with current access to the CLF will lose that ability.

We applaud NCUA's decision to modify the ANPR and exempt credit unions with assets of less than $100 million from a mandatory requirement to have access to a federal liquidity backstop (the CLF or Fed Discount Window). We believe the final rule should be further modified for credit unions with assets over $100 million to take into account loan-to-share ratios. Only high loan/share ratio credit unions over the $100 million asset threshold, should be mandated to have a federal liquidity backstop given the fact that they would generally have fewer assets that could realistically be liquidated.

We agree that every credit union should have a "Contingency Liquidity Plan" but do not believe that should equate to a regulatory requirement mandating access to a federal backstop. Today, every credit union has potential access through the Fed's Discount Window or CLF. Each credit union's balance sheet is different, both from an assets and liabilities perspective. It seems impractical to attempt to come up with specific liquidity targets that would be applicable or practical for all credit unions. It would appear to be more prudent to have each credit union identify back-up liquidity sources within their "Contingency Liquidity Plan" rather than to mandate a federal resource although in many cases that back-up might be the Fed or CLF. If the back-up liquidity sources are inadequate for a credit union's asset mix and balance sheet, then a requirement to have a federal backstop due to a credit union's specific risk factors could be required through the examination process.

The reality is that the federal backstop, whether the CLF or Discount Window, will only truly be utilized during a major liquidity event such as what was experienced during the 4th quarter 2008. During such a future event, the current CLF model that requires stock and on-call funds could present a hardship for any credit union or corporate. For the CLF to remain viable it needs major modernization and elimination of the stock purchase requirement. We support the ongoing role of the CLF and believe long-term it could provide more value to credit unions than the Fed Discount Window, but not in its current form. As a minimum modification, a corporate agent to the CLF should not be required to purchase stock for all of its members as many will be set up at the Fed and don't need access to the CLF. Smaller credit unions who are more likely to benefit from the CLF and less likely to access the Fed due to collateral restraints could be covered through a corporate agent program if an agent had flexibility in choosing which of its members it would cover through such a program. For our specific corporate, 70% of our required stock purchase as an agent would be for credit unions we have already worked with to be set up at the Fed Discount Window. In addition, there certainly are system efficiencies gained from the corporate agent program in processing loan requests and facilitating collateralization of and funding of advances.

Corporate credit unions should also have the ability to access liquidity from a modernized CLF structure. Given restrictions on borrowing to grow a balance sheet, a corporate's borrowing would in most all cases be to fund their own credit union member liquidity needs. With a corporate typically having assets that are easier to use as collateral for borrowing, they could be much more effective helping their members with liquidity if they had access to the CLF similar to how they have access to the Fed's Discount Window.

In summary, we do not believe that there should be any blanket regulatory requirement for federal liquidity backstops without consideration being given to a credit unions balance sheet and mix of assets and liabilities. At a minimum, loan/share ratios should be taken into account before a requirement is mandated. In addition, while we support the long-term role of the CLF, if it is to remain viable a modernized CLF structure is necessary. The CLF should operate very much like the Fed's Discount Window while utilizing the existing corporate infrastructure to the extent it can to provide emergency funding to credit unions when needed.

Thank you for the opportunity to comment.

Sincerely,

David W. Brehmer
President/CEO