CREDIT UNION of America

September 28, 2012

Via Email to regcomments@ncua.gov

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428
RE: Comments on Notice of Proposed Rulemaking for Part 741, Maintaining Access to Emergency Liquidity

Dear Ms. Rupp:

We appreciate the opportunity to comment on the proposed rulemaking for Part 741, Maintaining Access to Emergency Liquidity. As background, Credit Union of America (CUA) is a federally-insured Kansas state-chartered credit union that was formed in 1935. We serve 49,000 members primarily in the central part of the state of Kansas and have assets of $495M. We are a charter member of Kansas Corporate Credit Union and remain a perpetual capital holder. I personally serve on the KCCU Board. We are also members of the Federal Home Loan Bank of Topeka for over nine years.

Our credit union fully understands the importance of liquidity planning and preparation. Our ALCO and Board routinely monitor and review our liquidity plans and positioning. We consider in our liquidity planning – balance sheet management and active cash management, available for sale marketable securities, other saleable assets such as mortgage loans sellable on the secondary market, our KCCU advised line of credit and our line of credit and borrowing position with the FHLB of Topeka. We do not currently list the CLF or the FRB in our liquidity plan.

We believe this rule is flawed and should either be withdrawn or materially modified and improved. First the FHLB, should be consider a viable and approved emergency liquidity source. We believe that the evidence clearly shows that during the most recent financial crisis, the FHLB System provided more liquidity to depository financial institutions than either the FRB Discount Window or the CLF. Our Credit Union regularly tests our FHLB LOC and at the height of the financial system meltdown, we quickly and easily drew on our FHLB credit line and added instant liquidity onto our balance sheet to hold and protect us in those uncertain times. We know that the FHLB of Topeka is a reliable source of liquidity, since it is a GSE with open market access and our credit line is determine by collateral we hold and have pledged and is not advised but is committed and available. Regardless of the outcome of this 741 rule we will consider the FHLB our primary borrowing liquidity source.

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The CLF, while a potentially necessary emergency liquidity source for some credit unions, is not currently designed to be readily available (too much time and trouble to establish and draw on) and is too short term in its structure for our credit union to count on for an extended liquidity issue. I am currently unfamiliar with any way for a credit union to actually test its CLF access and readiness, which we believe to be a prudent practice. There is also the question of cost and administration of the CLF, both of which need improved. The NCUA and the CLF relied on the corporate network and US Central to both administer and fund or underwrite much of the cost of the CLF. The corporate system is no longer in a position to underwrite the cost of administration and funding of the CLF. I know KCCU wants to support its capital contributing members with reliable access to emergency liquidity, but cannot re-direct its resources or its earnings away from rebuilding its own capital and financial strength. KCCU can accept no liability or responsibility for any member credit unions that chose not to provide permanent capital but remain members. (Fortunately, KCCU came close to getting a 100% of its members to commit to perpetual capital.) How will credit unions belonging in some fashion to multiple corporate be addressed?

The Federal Reserve Bank could be a viable emergency liquidity provider, but I am not sure they are currently positioned or prepared to take on all the individual credit unions and administer liquidity borrowing. We have working relationships with the FRB, but since we have already positioned our collateral pledges to both KCCU and FHLB adding the FRB would appear to create some problems or unnecessary redundancy. However without a better understanding of how the CLF would be structured and paid for in the future, we would view the FRB as a better emergency liquidity solution than the CLF at this time.

Again we support inclusion of the FHLB, not adding unnecessary rules and regulations for credit unions that have good liquidity planning preparation and not forcing us to support the CLF or added the FRB at costs that are detrimental to our credit union with no value to be gained.

We thank you for the opportunity to comment on the proposed rule and we urge the NCUA Board to consider our comments as revisions are made to the final rule.

Sincerely,

Bob Thurman
President
Credit Union of America