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June 10, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Proposed Amendments to 12 CFR Part 704

Dear Mr. Poliquin:

Thank you for the opportunity to comment on the proposed changes to the Corporate Rule Part 704 of the NCUA Rules and Regulations sections §704.2 Definitions and §704.7 Lending. Eastern Corporate Federal Credit Union (EasCorp) is a federally-chartered and insured corporate credit union that provides various correspondent, liquidity and ALM Services to more than 250 credit unions.

EasCorp, along with other corporate credit unions, has been working diligently with the Central Liquidity Facility (CLF) during the past two years toward a goal of supporting the CLF in its efforts to provide emergency liquidity to natural person credit unions. The focus of these efforts was to establish a means for corporates to provide correspondent services, including collateral management, to the CLF. These efforts have resulted in a CLF Correspondent Agreement, which all corporates, including EasCorp, executed in the fourth quarter of 2013.

Although the role of a correspondent is important to the CLF mission, corporates should be able to play another important role in CLF funding. In some instances, a credit union may need funds sooner than the CLF may be able to provide them. When the CLF grants an advance, it "match funds" the advance with borrowing from the Federal Financing Bank (FFB). Because FFB advances may take up to ten business days, corporate credit unions could meet the potential funding needs of credit union prior to the CLF advance. This would take place through the use of CLF-related bridge loans. In order to meet this potential funding need, a few regulatory changes would be required to Part 704. These changes include introducing the term "CLF-related bridge loans" to the definitions of Net Assets and Net risk-weighted assets and providing similar treatment of CLF-related bridge loans as pass-through and guaranteed loans from the CLF and the NCUSIF in calculating loan limitations per credit union.

35 Corporate Drive, Suite 300 • Burlington, MA 01803
781/933-9950 • 800/428-1144
www.eascorp.org

§704.2 Definitions

We agree with all proposed changes in this section. The proposal defines "CLF-related bridge loan" and redefines "net assets" and "net risk-weighted assets." The introduction of the definition of CLF-related bridge loans meets the requirements for corporate credit unions to provide these types of loans to credit unions. The changes to the net assets and net risk-weighted assets definitions provide for the similar treatment of the CLF-related bridge loans as loans guaranteed by the NCUSIF and member reverse repurchase transactions. This is important in that, without the deductions of these loans in the calculation of net assets and net risk-weighted assets, a corporate credit union's capital ratios will be negatively impacted by making these advances by an increase in assets. Based upon the proposal, a corporate credit union would not be taking on additional risk by making a CLF-related bridge loan. The proposal details the procedures by which a credit union will repay the corporate for the CLF-related bridge loan by assigning the proceeds of the CLF advance to the corporate credit union. As a result, a corporate credit unions' capital ratios would not be negatively impacted.

§704.7 Lending

We agree with the proposal that includes CLF-related bridge loans, as defined in proposed §704.2, in the list of loans that may be excluded in calculating the aggregate amount of unsecured loans a corporate may make to any one member credit union. As described above, when making a CLF-related bridge loan, a corporate has no credit risk exposure to the credit union because of the assignment of CLF proceeds. Because of this, these loans should be excluded from the aggregate amount of unsecured loans to any one member credit union.

We also agree with excluding these types of loans from the requirements of §704.7(d), which addresses loans to nonmembers. Again, as stated above, because there is no credit exposure to the borrowing credit union and due to the "pass through" nature of these loans, the requirements for nonmember loans should not apply.

Thank you once again for this opportunity to comment on the Proposed Regulation.

Sincerely,

Jane C. Melchionda

Jane C. Melchionda
President/CEO