

CORPORATE CREDIT UNION  
*Alliance*

November 20, 2017

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

RE: Jane Melchionda-Comments on NCUA Regulatory Reform Agenda

Dear Mr. Poliquin,

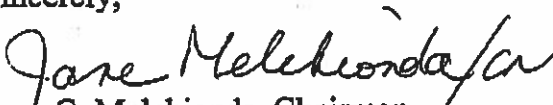
Thank you for the opportunity to comment on the NCUA Regulatory Reform Task Force's Report that recommends a comprehensive approach for eliminating, revising, improving, and clarifying NCUA's regulations over a four year period.

Our comments relate specifically to Part 725 National Credit Union Administration Central Liquidity Facility (CLF). A revision that will streamline, facilitate the use of correspondents, and reduce minimum collateral requirements for certain loans/collateral is important. The priority assigned is misaligned. The assignment of Part 725 to the Tier 3 (Year 4+) is concerning and warrants a higher priority. The CLF is an important part of the credit union system as demonstrated during the most recent financial crisis. The CLF's ability to serve the system in the future would be optimized by modernizing both regulation and law.

On August 6, 2016, the attached comment letter was submitted by the Corporate Credit Union Alliance regarding the CLF. I am attaching and resubmitting the comment letter as these comments are still relevant regarding the CLF.

Thank you once again for the opportunity to comment.

Sincerely,

  
Jane C. Melchionda, Chairman  
Corporate Credit Union Alliance

**Corporate Credit Union Alliance Members:**

Alloya Corporate Federal Credit Union  
Catalyst Corporate Federal Credit Union  
Corporate America Credit Union  
Corporate Central Credit Union  
Corporate One Federal Credit Union  
Eastern Corporate Federal Credit Union

Kansas Corporate Credit Union  
Louisiana Corporate Credit Union  
Tricorp Federal Credit Union  
Vizo Financial Corporate Credit Union  
Volunteer Corporate Credit Union

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OGCMAIL@NCUA.GOV

RE: Regulatory Review (2016)

Thank you for the opportunity to comment on NCUA Rules and Regulations Part 725, Central Liquidity Facility. The Central Liquidity Facility (CLF) is an important part of the credit union system as demonstrated during the most recent financial crisis just eight years ago. In our opinion, the CLF's ability to serve the system in the future would be optimized by modernizing both regulation and law. Indeed, substantial changes are indicated to both Part 725 of the National Credit Union Administration Rules and Regulations, and the National Credit Union Central Liquidity Facility Act, subchapter III of the Federal Credit Union Act.

For the past several years, the corporate credit union community has worked closely with CLF in order to provide operational efficiency with advances, repayments, and collateral management through a Correspondent Agreement with each corporate credit union. In this regard, we believe that §725.2, Definitions, should be amended to include a definition of a Correspondent.

As you know, §725.4(a)(2) requires an Agent member to purchase capital stock for all of its member natural person credit unions (NPCUs). Following the financial crisis, as corporate credit unions recapitalized their balance sheets, the purchase of CLF capital stock for all member credit unions was thought to be prohibitively expensive by the corporate credit union community. Accordingly, we ask you to consider modifying this section of the Rule, in conjunction with a change to subchapter III of the Federal Credit Union Act (§1795c(b)(2)), in order to allow the purchase of capital stock on behalf of a select group of member credit unions. This would enable more NPCUs to access liquidity from the CLF during periods of tight liquidity.

Also during the financial crisis, CLF instituted several programs, including the CU SIP program, which provided access to liquidity for select corporate credit unions. These programs required an advance from the CLF to a NPCU following which the NPCU invested proceeds of the advance in a note issued by the corporate credit union and guaranteed by the National Credit Union Share Insurance Fund (NCUSIF) pursuant to the Temporary Corporate Credit Union Liquidity Guarantee Program (TCCULGP). While these transactions facilitated liquidity to corporate credit unions, the transactions were complex and costly. We believe that corporate credit unions should have the ability to borrow directly from the CLF for liquidity purposes, and we respectfully request that NCUA consider modifications to Part 725 of the Rules and Regulations in conjunction with efforts to modernize the Federal Credit Union Act in order to allow CLF advances directly to corporate credit unions.

We also urge you to modify §725.19, Collateral Requirements, in order to reflect a market based approach to collateral values. Current CLF collateral requirements call for a blanket net book value equal to at least 110% of advances. For certain types of collateral, i.e. marketable securities, CLF collateral values compare unfavorably to the Federal Reserve Bank Discount Window and Federal Home Loan Banks.

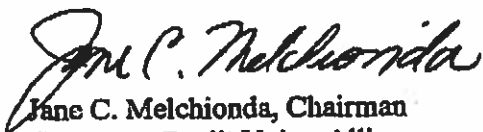
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We also would like to go on record as objecting to §1795e(a)(1) of subchapter III of the Federal Credit Union Act, Extensions of Credit, which reads in part "the Board shall not approve an application for credit the intent of which is to expand credit union portfolios." As you know, all advances expand a credit union's portfolio. The determination of whether or not an advance serves a liquidity purpose should be left up to the CLF.

Finally, there are various references to dates throughout Part 725 that appear to be outdated and should be eliminated.

Thank you once again for the opportunity to comment.

Sincerely,



Jane C. Melchionda, Chairman  
Corporate Credit Union Alliance

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Mid-Atlantic Corporate Federal Credit Union  
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Volunteer Corporate Credit Union

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