SENT VIA E-MAIL: regcomments@ncua.gov

January 5, 2015

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

RE: Comments on Proposed Rule – Corporate Credit Unions

Dear Mr. Poliquin:

Thank you for the opportunity to provide comments to the NCUA Board regarding proposed changes to 12 CFR Part 704. Missouri Corporate Credit Union (MCCU) is a member of the Corporate Credit Union Alliance for which on behalf of its members, has provided you with a collective comment letter. MCCU's comment letter reiterates many of those same points as the proposed revisions to Reg. 704 has far reaching implications on all corporate credit unions, irrespective of size.

704.2 Definitions – Tier 1 Capital
Perpetual Contributed Capital (PCC) is defined in the regulation as perpetual, non-cumulative dividend accounts that are available to cover losses exceeding retained earnings and is considered Tier 1 Capital and a form of equity under generally accepted accounting principles (GAAP). PCC is a permanent capital instrument issued by corporate credit unions and funded by its members. This type of capital is the regulatory equivalent of non-cumulative perpetual preferred stock as defined by FDIC regulations, which is consistent with the definitions of "Tier 1" or "Core Capital" by other various agencies including banking regulators, Securities Exchange Commission and United States Treasury.

Accordingly, MCCU strongly believes that, under the definition of Tier 1 Capital (section 704.2), paragraphs 8 and 9 should be deleted from the regulation. These sections reduce the amount of PCC that can be counted as part of Tier 1 Capital beginning in October 2016 (and then more severely in October 2020) despite its permanent nature, i.e. nothing about the structure of this capital account has changed. It should be respectfully noted that no other financial regulator fails to include any portion of permanent capital or non-cumulative perpetual preferred stock or other similar permanently contributed capital into the calculation of Tier 1 Capital.

MCCU foresees an unintended consequence of this action in how various constituencies (i.e., member credit unions, potential member credit unions, Federal Reserve Banks, credit rating agencies, creditors, business partners, public news agencies, auditors, etc.) view our capital strength. Many rely on regulatory capital measures as opposed to GAAP in order to gauge capital adequacy and counterparty strength. Every corporate credit union will see its Tier 1 Capital levels and ratios plummet significantly in October 2016 and again in October 2020 despite the fact that overall capital actually held is expected to be greater due to several additional years of building retained earnings. MCCU does not view the discounting of PCC as beneficial to any constituency and respectfully requests reconsideration by the NCUA Board.

Section 704.9 – Liquidity Management

MCCU commends NCUA for extending the maximum borrowing limit from 30 days to 120 days, however, we believe the limit should be extended to one year; three years if match funding a member term loan. This would provide corporate credit unions an important tool in managing interest rate risk while providing member credit unions the ability to borrow on a term basis. Today, many larger credit unions have access to term funding through the Federal Home Loan Bank (FHLB) system; however, most of our member credit unions are not members of the FHLB and many would not be able to qualify for FHLB membership. Therefore, those members' most readily available access to credit is through their corporate credit union. And even though MCCU currently does not have any term borrowings on its balance sheet, we can foresee such a need in the future and would like to be able to serve our membership accordingly. MCCU, as well as all corporate credit unions, monitor and track liquidity on a daily basis and there is sufficient historic evidence to indicate systemic liquidity scenarios extend beyond 120 days.

As the economy continues to improve, loan demand is expected to outpace deposit growth at natural person credit unions which will further tighten liquidity within the entire credit union system. In addition, payment processing settlement requirements continue to rise, which could put further pressure on liquidity, especially as interest rates begin to rise. Borrowings at corporate credit unions could easily become a regular occurrence and key cash management tool for credit unions. Corporate credit unions should have as many of these tools at their disposal as possible in order to assist the credit union system's liquidity demands. Corporate credit unions should be able to position liquidity in anticipation of an expected long-term liquidity event and/or match fund member credit union term borrowings. Securing term funding in advance of an expected liquidity event is considered a best practice for liquidity management.

704.7 Lending – Central Liquidity Facility (CLF) "Bridge Loans"

Corporate credit unions have been working with the Central Liquidity Facility for the past several years in an attempt to position the credit union system for efficient access to funding as needed through the CLF. Every corporate credit union has agreed to serve as a correspondent for the CLF, meaning corporate credit unions will administer the collateralization of CLF funded loans to ensure the CLF is only loaning funds to its member credit unions on a secured basis. The CLF funds its loans by accessing funds available to it from the Federal Finance Bank (FFB); however, the FFB can take upwards of 5-10 days to fund the loan advance requests from the CLF. As another critical role for corporate credit unions in assisting credit union liquidity needs, we would request that the Lending section of the regulation specifically authorize corporate credit unions to be able to provide "CLF bridge loans," above regulatory lines of credit (LOC) limits, to credit unions that have been approved for advances from the CLF, for the period during which the CLF funds are not yet available. Bridge loans would therefore have terms of no longer than 10 days.

Thank you for the opportunity to comment on the proposed changes to 12 CFR Part 704.

Respectfully Submitted,

Kathleen M. Gray

Kathleen M. Gray, CPA, CGMA, CUDE
President/CEO

cc: Board of Directors – Missouri Corporate Credit Union

T:\DOC\CORPPROC\Reg 704\Proposed Reg 704 Comment Ltr MCCU 01-05-2015.doc