NEW YORK creditunion ASSOCIATION

strength in members.

January 5, 2015

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

RE: Corporate Credit Unions, 79 FR 65353-01

Dear Mr. Poliquin:

On behalf of the New York Credit Union Association, I would like to comment on NCUA's proposed revisions to Part 704. Corporate credit unions were created to help meet the liquidity needs of credit unions. Today, they still perform this vital role, while also providing operational expertise to credit unions (particularly smaller ones). Against this backdrop, we agree with many of the changes in NCUA's proposal, which will help clarify ambiguities in the existing regulation and increase corporate flexibility with an eye toward increasing liquidity within the system. We also feel that further changes would benefit the corporate system without increasing safety and soundness concerns.

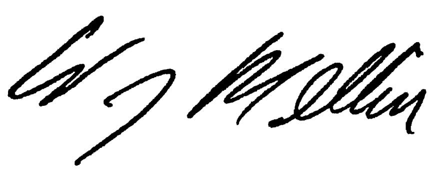
The proposal would amend 12 CFR 704.9 to increase—from 30 to 120—the number of days a corporate credit union may borrow on a secured basis for liquidity purposes, provided it has Tier 1 capital in excess of 5 percent of its moving daily average net assets (DANA). NCUA should expand the maximum timeframe from 120 days to at least one year. An expansion of the lending timeframe will make it easier for corporates to respond to the seasonal lending needs of credit unions while recognizing that liquidity cycles don't always strictly adhere to a four-month calendar. In addition, one of the lessons of the 2008 financial crisis is that even well-functioning institutions can face liquidity problems during a crisis. A longer lending horizon will aid the financial stability of the industry in the event of a crisis by maximizing the liquidity of corporates with adequate capital reserves.

The Association opposes NCUA's proposal to make CUSOs that work with corporates subject to direct oversight by the agency. When NCUA implemented a similar requirement on natural person credit unions, the Association expressed concern that NCUA was expanding its jurisdiction beyond what was necessary or justified under existing law. Those same concerns apply to corporates. Most importantly, as corporations, CUSOs are already subject to the oversight of the state in which they are incorporated. Secondly, NCUA does not have explicit statutory authority to directly oversee CUSOs. By mandating that such oversight be agreed to via contract, NCUA is seeking to bootstrap its jurisdiction into areas where Congress decided it does not belong. NCUA has the right to examine a specific CUSO on a case-by-case basis to the extent that its activities are affecting the safety and soundness of a given corporate. What it cannot grant itself is the right to systemically evaluate all CUSOs independent of the corporates with which they conduct business. Finally, because this regulation is imposed only on CUSOs and not all third-party vendors, NCUA is making it more difficult for credit unions to get the services they need from within the credit union industry.

When reviewing Part 704, the Association believes NCUA should also make additional changes to the definition of "capital" that will take effect in 2020. Specifically, beginning on October 20, 2016, and ending on October 20, 2020, corporate credit unions will be required to deduct any amount of perpetual contributed capital (PCC) that causes PCC minus retained earnings, all divided by moving daily net average assets, to exceed two percent; and beginning after October 20, 2020, deduct any amount of PCC that causes PCC to exceed retained earnings. [See: Corporate Credit Unions, 75 FR 64786-01, 64829]. The provision will have the effect of penalizing corporates that have attracted perpetual investments, in spite of the fact that such capital is recognized as Tier 1 capital. In addition, this requirement was imposed prior to NCUA's consideration of risk-based capital reforms.

The proper regulatory oversight of corporate credit unions is one of the most important responsibilities of NCUA. The Association applauds NCUA for continuing to review corporate regulations and recognizing that there are areas where all credit unions will benefit from enhanced corporate flexibility. We look forward to working with NCUA on this and other issues in the year ahead.

Sincerely,



William J. Mellin
President/CEO
New York Credit Union Association