



SENT BY E-MAIL

TO: Members of the NCUA Central Liquidity Facility

FROM: J. Owen Cole, President
NCUA Central Liquidity Facility

SUBJ: Important Changes Involving CLF Operations

DATE: August 14, 2015

I'm sending this letter to inform you of important changes involving the NCUA Central Liquidity Facility (CLF). The CLF has established correspondent relationships with all corporate credit unions (see attached roster). These credit unions will serve as financial correspondents to help service and administer liquidity advances for CLF members.

The attached fact sheet outlines CLF correspondent duties and responsibilities in more detail. **Natural person credit union CLF members are under no obligation to join a corporate credit union for any CLF-related activity.**

NCUA will continue to ensure that CLF liquidity advances are handled safely and efficiently. If you have questions or concerns regarding this letter, please contact CLF Vice President Steve Farrar at 703-518-6393 or by email at sfarrar@ncua.gov.

Attachments

- NCUA CLF Correspondent Fact Sheet
- List of CLF Correspondents

NCUA Central Liquidity Facility

Correspondent Fact Sheet

What is the role of a CLF correspondent?

As correspondents, corporate credit unions act in a fiduciary capacity for the CLF itself. They will provide services in support of CLF members' activities and liquidity advance transactions. These services include assisting with new member questions and application forms, managing collateral, perfecting security interests, and performing other tasks related to facilitating and administering CLF loans.¹ Correspondent duties are fully outlined in the *CLF Correspondent Agreement*, which is available on the [NCUA CLF website](#).²

NCUA has established formal correspondent relationships with all corporate credit unions (see attached list). The correspondent duties performed on behalf of the CLF will be handled outside the corporates' membership activities.

Why has NCUA established correspondent relationships?

Correspondent credit unions will provide operational support and services to the CLF necessary to fully implement NCUA's liquidity guidelines.³ By instituting correspondent relationships, the CLF has reestablished an operational system which leverages an experienced network of institutions that are already knowledgeable about CLF operations.

When will CLF members interact with a CLF correspondent?

Members will interact with a correspondent when they request a liquidity advance. Once a request for an advance has been approved by the CLF, a correspondent **of the member's choosing** will perform the following functions:

- Perfect CLF's security interest in the pledged collateral
- Assist in the valuation and margin of pledged assets
- Safekeep the collateral until the advance matures

¹ Collateral management includes valuation, margin and safe keeping of pledged assets.

² <http://www.ncua.gov/Resources/CLF/Pages/default.aspx>

³ See NCUA Letter to Credit Unions 13-CU-10, [Guidance on How to Comply with NCUA Regulation §741.12 Liquidity and Contingency Funding Plans](#), for details on the liquidity guidelines.

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Correspondent Fact Sheet

Does my credit union get to choose a CLF correspondent?

Yes. Member credit unions will choose a CLF correspondent from the list of corporate credit unions and notify the CLF of their selection when requesting an advance. CLF members do not have to have membership in a corporate credit union to select the corporate as a CLF correspondent. If you have an existing corporate relationship, you may find it more convenient to select the corporate as your correspondent, though this is not required by the CLF or NCUA.

How does my credit union request a liquidity advance?

Directions for submitting an application for a CLF advance and loan collateral requirements are outlined in [Central Liquidity Facility Loan Advance Frequently Asked Questions](#), available on the NCUA CLF website.⁴

How are liquidity advance requests processed and approved?

The CLF will notify a member's selected correspondent of the request for an advance by commencing the loan underwriting process. Once this happens, the CLF correspondent will work directly with the member credit union to:

- Determine if the member credit union has sufficient, unencumbered collateral to support the loan
- Verify the collateral types and corresponding [margin requirements](#)⁵
- Conduct a lien search on pledged collateral
- Address potential conflicts that arise from competing liens in circumstances which involve multiple creditors (e.g., a FHLB, Fed Discount Window, or other secured lender)
- Assist with the transfer of CLF loan funds and repayments if requested by the CLF member

The CLF correspondent will also undertake other items associated with sound collateral management, as needed.

⁴ <http://www.ncua.gov/Resources/Documents/CLF/CLF-FAQ-FacilityLoanAdvances.pdf>

⁵ CLF Collateral Margin Table, online at <http://www.ncua.gov/Resources/Documents/CLF/DiscountMargins.zip>

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Correspondent Fact Sheet

What actions can we take now to ensure timely access to CLF advances?

NCUA recommends that you work with personnel from the CLF and your selected CLF correspondent to familiarize yourself with all collateral processes. In order to ensure timely access, member credit unions should take steps to ensure that unencumbered collateral is available to secure an advance. While the CLF does not require pre-positioning of collateral, it is imperative that credit union officials have taken steps to ensure that unencumbered collateral is available if CLF borrowing is necessary. In general, member credit unions will need to resolve potential inter-creditor conflicts that arise from relationships with multiple market-liquidity (and federal-liquidity) providers.

To optimize your readiness and to ensure contingent events are handled smoothly, take the following actions:

- Select a CLF correspondent
- Forecast balance sheet cash flows to identify potential funding shortfalls before they arise
- Establish a process within the credit union to identify and monitor assets available to be pledged as collateral
- Familiarize staff with [CLF collateral margin tables](#) in order to accurately measure and track contingent borrowing capacity on an ongoing basis
- Maintain a list of all contingent borrowing facilities and listing sources by general priority of funding (market sources followed by federal contingent liquidity sources)
- Establish subordination agreements as necessary between creditors to avoid security-interest conflicts when a borrowing need arises

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List of CLF Correspondents

To optimize your readiness and to ensure contingent events are handled smoothly, CLF members may select a correspondent prior to submission of an advance request and notify the CLF of their selection by sending an email to CLFmail@ncua.gov. **CLF members do not have to have membership in a corporate credit union to select the corporate as a CLF correspondent.**

Alloya Corporate Federal Credit Union

4450 Weaver Parkway
Warrenville, IL 60555
(800) 782-2431
www.alloyacorp.org

First Carolina Corporate Credit Union

7900 Triad Center Dr, Ste 410
Greensboro, NC 27409
(800) 585-4317
www.firstcarolina.org

Catalyst Corporate Federal Credit Union

6801 Parkwood Blvd
Plano, TX 75024
(800) 442-5763
www.catalystcorp.org

Kansas Corporate Credit Union

8615 W Frazier
Wichita, KS 67212
(800) 721-2677
www.kansascorporate.org

Corporate America Credit Union

4365 Crescent Rd
Irondale, AL 35210-1774
(800) 292-6242
www.corpam.org

Louisiana Corporate Credit Union

3500 N Causeway Blvd, Ste 1510
Metairie, LA 70002
(800) 421-7030
www.lacorp.com

Corporate Central Credit Union

6262 South Lowell Pl
Muskego, WI 53150
(800) 242-4747
www.corpcu.com

Mid-Atlantic Corporate Federal Credit Union

1201 Fulling Mill Rd
Middletown, PA 17057
(800) 622-7494
www.midatlanticcorp.org

Corporate One Federal Credit Union

8700 Orion Pl
Columbus, OH 43240
(866) 692-6771
www.corporateone.coop

TriCorp Federal Credit Union

2 Ledgeview Dr
Westbrook, ME 04092
P.O. Box 1429
Portland, ME 04104
(800) 346-1936
www.tricorp.org

Eastern Corporate Federal Credit Union (EasCorp)

35 Corporate Dr, Ste 300
Burlington, MA 01803
(800) 428-1144
www.eascorp.org

Volunteer Corporate Credit Union

2460 Atrium Way
Nashville, TN 37214
(800) 470-3444
www.volcorp.org