



**National Association
of Federal Credit Unions**
3138 10th Street North
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

June 11, 2015

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

RE: Comments on Proposed Rule Regarding Corporate Credit Unions

Dear Mr. Poliquin:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I am writing to you regarding the National Credit Union Administration's (NCUA) proposed rule to amend Part 704 of the agency's regulations on corporate credit unions. *See* 80 FR 27108 (May 12, 2015). NAFCU strongly supports this proposal because it will provide corporate credit unions (Corporates) requisite relief from Part 704's aggregate lending limit without increasing risk exposure to natural person credit unions or the National Credit Union Share Insurance Fund (NCUSIF).

CLF-Related Bridge Loans Exemption

The proposal would exclude Central Liquidity Facility (CLF)-related bridge loans from Part 704's aggregate unsecured lending limit. Specifically, it would define "CLF-related bridge loan" as a loan funded by a Corporate for a term not to exceed 10 business days to a natural person credit union that has been approved for an advance from the CLF and is awaiting funding. In addition, the proposal would exempt these loans from the calculation of "net assets" and "net risk weighted assets" for determining minimum capital requirements for Corporates.

NAFCU appreciates NCUA's initiative in this rulemaking. As the agency recognizes, CLF-related bridge loans allow Corporates to serve as a liquidity provider to their natural person credit union members during times when natural person credit unions are awaiting funding from the Federal Financing Bank (FFB) and the CLF. Because advances from the United States Department of the Treasury (Treasury) can take up to 10 business days to fund, these loans play a critical role in expediting the delivery of funds to the borrowing natural person credit unions. These loans, however, are short-term and have a guaranteed

payment source, thereby making them a non-credit risk for Corporates. Accordingly, NAFCU and our members strongly support NCUA's proposal to exclude these loans from Part 704's capital calculations and the aggregate lending limit because we believe it will provide welcome relief without exposing Corporates, natural person credit unions or the NCUSIF to unnecessary risk.

Corporate Resolution

NAFCU would also like to take this opportunity to reiterate our concerns with other aspects of the corporates resolution. Since the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) was established in 2011, natural person credit unions have paid more than \$4.8 billion in assessments. Corporates have also experienced losses stemming from the write-down of US Central capital.

While NAFCU commends NCUA for its vigilant and aggressive pursuit of legal recoveries, we believe that credit unions deserve to be repaid for the hefty assessments they paid to cover the cost of the corporate losses on mortgage-backed securities. Further, we believe there needs to be more clarity as to the disposition of the assets held by the Asset Management and Assistance Center (AMAC). Because NCUA has indicated that the agency is unable to refund credit unions for their assessments until the fund has repaid all of its obligations, NAFCU believes it is of paramount importance that NCUA transparently communicate the agency's strategy and timeline for satisfying the TCCUSF's deposit and borrower guarantees.

We look forward to continuing to work with NCUA to address ways that the agency could streamline and refine existing regulations in order to more effectively grow and support the dynamic credit union industry. I look forward to hearing from you regarding this important matter. Should you have any questions or would like to discuss these issues further, please feel free to contact me at anealon@nafcuh.org or (703) 842-2266.

Sincerely,

A handwritten signature in cursive script that reads "Alicia Nealon".

Alicia Nealon,
Director of Regulatory Affairs