Credit Union ASSOCIATION New York

February 16, 2012

Secretary of the Board,
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Dear Ms. Rupp:

On behalf of the Credit Union Association of New York (the Association), I would like to take this opportunity to address the issues raised by NCUA's ANPR regarding credit union access to emergency lines of liquidity after the wind down of U.S. Central. Maintaining access to credit in times of extreme financial stress is a fundamental industry-wide concern. It is important that whatever structure is ultimately put in place by NCUA meets these objectives: ensure that all credit unions have access to liquidity in times of financial stress; be implemented as cost effectively as possible; give credit unions flexibility in accessing the lines of credit that best meets the needs of the credit union, and encourage an intra-credit union framework for meeting the emergency needs of credit unions.

In assessing the role the CLF should play for credit unions, it is important to acknowledge that the financial crisis demonstrated defects in our previous structure. While the vast majority of credit unions had access to the CLF, far too many were dependent on U.S. Central to act as their agent and to maintain the industry's capital investment in the fund. The future emergency credit framework should diversify credit union access to the CLF. This goal could be easily accomplished by allowing individual corporates to recapitalize the CLF on behalf of their members and mandating that such corporates have direct access. While this would not prevent all risk of a credit freeze, it would result in a structure that is not wholly dependent on a single institution. This approach would have the added benefit of ensuring that credit unions in a given corporate can access the CLF through their corporate system even if other corporates choose not to act as CLF intermediaries. In addition, If NCUA decides that credit unions should be allowed to work through corporates to get access to the CLF, it could further this aim by continuing to examine ways to permit corporates to purchase CLF stock without having such investments count against their net worth requirements.

NCUA is examining whether certain credit unions should be exempt from emergency liquidity requirements because of their size. Ideally, the system ultimately implemented will be one in which all credit unions can cost-effectively participate. However, the ultimate goal of the CLF is to ensure that every credit union has access to capital in a liquidity crunch. For credit unions below a certain size threshold that have investments analogous to money markets, these goals may be achieved without imposing the additional burden of accessing an emergency line of credit.

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It has been suggested that larger credit unions be forced to access institutions such as the Federal Reserve in lieu of the CLF. This approach should be avoided. It is in the interest of both NCUA regulators and credit unions that the industry retains the ability to address its own liquidity needs as quickly and efficiently as possible. If and when the financial industry faces another Lehman Brothers-like crisis, the Association believes that the industry should have the authority and financial ability to address the crisis on its own. Any suggestion that larger credit unions should be forced to go outside the credit union system is contrary to that goal. In addition, whatever modifications are made to the existing emergency liquidity framework will be best implemented if all credit unions participate in the program. Otherwise, the CLF could face economy of scale problems. All credit unions that want to go to alternative sources of credit should be allowed to do so. None should be forced to do so.

One such option for credit unions should be the Federal Home Loan Bank System, but in its Advanced Notice of Proposed Rulemaking, NCUA did not include the federal home loan banks among those entities which credit unions could use to access emergency lines of credit. This omission overlooks one of the easiest ways for credit unions to satisfy the goals of this ANPR. These banks already provide lines of credit to credit unions and since many credit unions offer mortgages, they could easily become members of these institutions.

The Association believes that the issues raised by NCUA are among the most important that will be addressed this year. The comments in this letter reflect our commitment to giving credit unions maximum flexibility while encouraging NCUA to craft a proposal that furthers industry safety. We look forward to reviewing NCUA's proposed rule and urge the Administration to move as quickly as possible so that credit unions have adequate time to access the CLF or other appropriate alternatives they may choose to utilize.

William Mellin
President/CEO
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