The National Association of State Credit Union Supervisors

May 13, 2024

The Honorable Andy Barr, Chairman
The Honorable Bill Foster, Ranking Member
Subcommittee on Financial Institutions and Monetary Policy
2129 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Barr and Ranking Member Foster:

The National Association of State Credit Union Supervisors (NASCUS) is the professional association of the nation's forty-six state credit union regulatory agencies that charter and supervise over 1800 state credit unions. NASCUS membership includes state regulatory agencies, state-chartered and federally-chartered credit unions, and other important stakeholders in the state system. State-chartered credit unions hold over half of the $2.25 trillion assets in the credit union system and are proud to represent nearly half of the 140 million members. NASCUS works to ensure the state credit union remains safe, sound and growth-oriented to serve the needs of its millions of member stakeholders.

As the subcommittee considers issues related to liquidity in the financial services sector, we write in support of proposed changes to the Central Liquidity Facility (CLF) administered by the National Credit Union Administration (NCUA). We respectfully urge Congress to modernize the CLF and further strengthen an already healthy credit union system by amending Title III of the Federal Credit Union Act to modernize the CLF by permanently reinstating enhancements temporarily enacted as part of the CARES Act.[1]

The CLF was created by Congress in 1979, as a mixed-ownership Government corporation administered by the National Credit Union Administration (NCUA). Through the CLF, NCUA administers a credit union-specific source of contingent liquidity for the credit union system. NASCUS and its state regulator members recognize the value of a contingent liquidity funding source designed to meet the needs of the credit union system, particularly the many modestly sized credit unions with assets less than $250 million.

NASCUS supports the NCUA's request to Congress for specific statutory changes that would allow corporate credit unions, as agents, to buy the capital stock required for membership for a subset of their members versus their entire membership. This change would make membership more affordable and efficient for the over 3,600 credit unions with under $250 million in assets that do not have immediate access to emergency liquidity through the CLF.

Additionally, statutory changes that would allow corporate credit unions to borrow directly from the CLF for their own needs would also support the overall liquidity position of the credit union industry given the important role that corporate credit unions play in providing liquidity to credit unions across the nation. NCUA has also called for an increase in the maximum legal borrowing authority for the CLF, an enhancement that would ensure a more effective and responsive source in the event of broad liquidity strains.

[1] See: *https://www.govinfo.gov/content/pkg/PLAW-116publ136/pdf/PLAW-116publ136.pdf Title IV - Section 4016*

To best assist credit unions with liquidity needs, statutory changes are necessary to improve the CLF. As discussed, Congress can support this effort by modernizing CLF legislation. Amending the Federal Credit Union Act permanently would provide necessary resources to smaller credit unions and the credit union system as a whole.

We would be happy to discuss our comments further at your convenience.

Respectfully,

Sarah Stevenson

Sarah Stevenson
Vice President, Regulatory Affairs
NASCUS

cc: National Credit Union Administration Board
The Honorable Patrick McHenry, Chairman
The Honorable Maxine Waters, Ranking Member