NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: **May 1999** **LETTER NO.: 99-CU-11**

TO: **Federally Insured Credit Unions**

SUBJ: **Additional Information on Year 2000 Liquidity Planning**

NCUA's recent letter to Credit Unions 99-CU-2 addressed the importance of Year 2000 (Y2K) liquidity planning and potential sources of liquidity which are available to credit unions. The purpose of this letter is to provide important additional information, regarding several recent developments, which may be of significant importance to you in preparing your liquidity plan.

Letter 99-CU-2 discusses the Central Liquidity Facility (CLF) as one of the external sources of liquidity available to credit unions. The letter mentions a $600 million limitation on the amount of funds available from the CLF. This limit has now been removed by Congress. The CLF now can borrow up to $20.7 billion for liquidity loans to credit unions. (This is based on a statutory formula contained in Title III of the Federal Credit Union Act.)

For your convenience, the following information regarding the CLF, which was provided in Letter 99-CU-2 is reiterated. In order to obtain funds from the CLF, a credit union must be a member of the CLF. If a credit union has an account at a corporate credit union, it may already have access to the CLF through its corporate credit union. Credit unions should contact their corporate credit unions to determine if they have access to the CLF through their corporate affiliation (not all corporate credit union memberships provide access to the CLF). If a credit union does not have access to the CLF, it should consider obtaining either a corporate credit union membership that provides CLF access or a CLF membership application and instructions from the NCUA at:

National Credit Union Administration
Central Liquidity Facility
1775 Duke Street
Alexandria, VA 22314-3428

Phone: 703-518-6391
Email: kdishong@ncua.gov

In addition, NCUA and the Federal Reserve System have agreed, in principle, to a special Y2K liquidity arrangement. This arrangement would make Federal Reserve Discount Window funding available if liquidity is needed beyond that available from within the credit union system and the CLF. Under this arrangement, the Federal Reserve Bank of Kansas City would make a secured loan or loans to a newly organized special purpose wholesale corporate credit union, which would in turn lend to U.S. Central Credit Union. U.S. Central would, in turn, provide additional liquidity to the corporate credit unions to enable them to fulfill the liquidity needs of their members.

I want to stress that we do not expect wide-spread liquidity problems and we believe that credit unions are doing a good job preparing for the Y2K date conversion. However, we also believe that it is critical for credit unions to be prepared for any potential liquidity problems that might result from this unprecedented event.

Please continue your efforts to finalize your Y2K preparedness and to educate your members on this subject.

/S/
Norman E. D'Amours
Chairman, NCUA Board