



K A N S A S

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DATE: February 2, 2009
BULLETIN: 2009-KDCU-CUB-01
TO: Management of Kansas chartered credit unions
SUBJECT: The Corporate Credit Union System and the National Credit Union Administration (NCUA) Corporate Credit Union Strategy

I have been asked to comment on the corporate credit union system. The nation's economic woes, which have affected the corporate credit unions, continue to evolve, therefore my comments will necessarily change as additional events occur or information is available. Credit unions must be aware of the NCUA Corporate Credit Union System Strategy announced in NCUA's Letter No. 09-CU-02.

The first corporate credit union to serve liquidity needs of Kansas credit unions was chartered with the formation of Kansas Corporate in 1951. In 1974, U.S. Central was chartered to serve liquidity and other needs of corporate credit unions. Corporate credit unions grew in number to over 40 and today through consolidation, 28 state or federal corporate credit unions remain to provide vital investment, liquidity and payment system services to credit unions. Natural person credit unions have supported the corporate credit union system through becoming their member owners and utilizing their liquidity, investment and payment systems. Kansas credit unions, especially those of smaller asset size would face significant challenges without the services and assistance provided by Kansas Corporate.

The corporate credit union system is now facing unprecedented strains on its liquidity and capital due to credit market disruptions and the current economic climate. Given the importance of maintaining the services corporate credit unions provide natural person credit unions, NCUA has developed a strategy to ensure corporate credit unions can maintain liquidity and strengthen their capital. NCUA's Letter No. 09-CU-02 describes this strategy. At this time, corporate or natural person credit unions cannot utilize the federal government's Troubled Assets Relief Program (TARP).

Natural person credit unions can support the corporate credit union system by maintaining their deposits, placing additional excess liquidity in Kansas Corporate and if necessary, utilizing the NCUA Central Liquidity Facility (CLF) for cash needs. Participation in the Credit Union System Investment Program (CU SIP) provides a credit-risk free opportunity for natural person credit unions to enhance their earnings and provide liquidity to the corporate system. Information about these programs can be obtained by contacting Kansas Corporate.

Given the importance of Kansas Corporate and U.S. Central, Kansas credit unions must become familiar with NCUA's strategy described in NCUA Letter No. 09-CU-02 at <http://ncua.gov/>. NCUA has requested comments on the corporate system, its regulation, capital, structure and function. I am interested in your comments and you may also comment directly to NCUA and the Kansas Credit Union Association.

Please contact this office or your examiner if you have questions.

/s/ **John P. Smith**

John P. Smith, Administrator

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