

AMERICA'S CREDIT UNIONS, ANDREW MORRIS

Proposal and Comment Information

Title: Request for Information and Comment on Operational Aspects of Federal Reserve Bank Extensions of Discount Window and Intraday Credit, OP-1838

Comment ID: FR-0000-0137-01-C118

Submitter Information

Organization Name: America's Credit Unions

Organization Type: Organization

Name: Andrew Morris

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NONCONFIDENTIAL // EXTERNAL

On behalf of America's Credit Unions, please find attached our comment to the Board of Governors of the Federal Reserve System regarding the request for information titled "Operational Aspects of Federal Reserve Bank Extensions of Discount Window and Intraday Credit" (Docket No. OP-1838). Thank you.

Best,
Andrew Morris

[photo-logo]
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NAFCU is now America's Credit Unions.<<https://www.americascreditunions.org/>> A stronger voice to advance the credit union industry.



**America's
Credit Unions**

December 9, 2024

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Request for Information and Comment on Operational Aspects of Federal Reserve Bank Extensions of Discount Window and Intraday Credit; Docket No. OP-1838

Dear Ms. Misback:

On behalf of America's Credit Unions, we are writing in response to the request for information (RFI) issued by the Board of Governors of the Federal Reserve System (Board) regarding operational aspects of the discount window and Federal Reserve Bank intraday credit policy. America's Credit Unions is the voice of consumers' best option for financial services: credit unions. We advocate for policies that allow the industry to effectively meet the needs of their over 140 million members nationwide.

America's Credit Unions supports reliable and convenient access to contingent sources of liquidity. The Discount Window allows credit unions and other eligible institutions to borrow from Federal Reserve Banks after executing legal agreements and pledging collateral. The process of pledging collateral could be improved to alleviate administrative inefficiency.

The Board should explore options for reducing the frequency of pledge files submitted to Federal Reserve Banks to comply with Borrower-in-Custody (BIC) program requirements. In general, depository institutions must submit a BIC pledge file (collateral schedule) detailing loans and other key data elements on a monthly basis to Reserve Banks in order to maintain borrowing privileges. America's Credit Unions recommends allowing a semi-annual submission schedule for depository institutions that have not borrowed from the Discount Window for a specified period of time determined by the Board based on input from individual Reserve Banks.

Given that extensions of intraday credit rely upon the same pool of collateral as primary credit borrowings from the Discount Window, the Board should also consider adopting an extended schedule for pledge file submission for depository institutions that have not received any intraday credit for a specified period of time.

The Board should also survey BIC program requirements at individual Reserve Banks to determine whether there are barriers to accepting electronically signed loans as collateral. Given variations in state law relating to remote notarization and county-level policies relating to

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acceptance of electronic signatures for real estate and recording purposes, the ease of pledging electronically signed notes may vary between Reserve Banks.¹ Proposed legislation aimed at alleviating barriers to remote notarization has garnered broad industry support, but to date there has been limited progress.² Furthermore, there are a variety of state laws (along with administrative procedures governing county recording offices) that could limit the acceptance of electronically signed collateral that is recordable property.

America's Credit Unions recommends the Board review BIC program requirements that limit acceptance of electronically signed notes and explore ways to alleviate these obstacles—or, at the very least, standardize procedures for accepting electronically signed loans. To the extent existing efforts have already examined barriers to the acceptance of electronically signed collateral by the Reserve Banks, the Board should publish the results of those inquiries. Lastly, the Board should consider publishing a request for information inviting comment on how BIC programs might be improved and include, as context, information about state laws that limit acceptance of collateral bearing electronic signatures.

America's Credit Unions appreciates the opportunity to provide information in response to the Board's request for information. If you have any questions, please do not hesitate to contact me at 703-842-2266 or amorris@americascreditunions.org.

Sincerely,



Andrew Morris
Director, Innovation and Technology

¹ See e.g., Federal Reserve Bank of Chicago, Borrower-in-Custody Guidelines, 8 (June 7, 2024), *available at* <https://www.frbdiscountwindow.org/~media/Documents/07bicguidelines.ashx?la=en>. The Chicago Federal Reserve provides that "[c]ollateral that exists only in electronic form may not be acceptable for collateral pledged through the BIC program." See also Federal Reserve Bank of Philadelphia, Borrower-in-Custody Loan Collateral Guidelines, 4 (Nov. 27, 2023) ("If loans are created in an Electronic Format or maintained in an Imaged Format, contact the FRB to discuss particulars and eligibility"), *available at* <https://www.frbdiscountwindow.org/~media/documents/03bicextguidelines.docx>.

² See e.g., H.R. 3962, The Securing and Enabling Commerce Using Remote and Electronic Notarization Act (SECURE Notarization Act); see also SECURE Notarization Act Coalition Support Letter, *available at* <https://www.nafcu.org/system/files/files/SECURE%20Notarization%20Act%20Coalition%20Support%20Letter.pdf>.