Non-member deposits: The “Secret Sauce” for both earnings & liquidity

CMS - Non-Member Deposits – 1/18/17

Non-member deposits (NMDs) are an important balance sheet tool for any credit union. Dependence solely on member deposits to provide funding for asset commitments eliminates available options to manage liquidity and diminishes growth potential, which directly affects earnings.

Non-member deposits come from 3 sources.

1. Credit union deposits
2. Public unit deposits
3. All other depositors

By statute, any credit union can access funds in an amount up to 20% of its existing share balances from number 1 or 2 on the list above. However, only low income designated credit unions (LICUs) can accept deposits from all three sources. An LICU can access NMDs from any source up to 20% of its existing share balances, and may potentially exceed the 20% limit if needed upon request from its regional director. The NCUA has taken great steps to ensure that all LICUs have the required funds available to support their activities.

A total of 2,459 federally insured credit unions carried a low-income designation at the end of the third quarter in 2016, a 7.6% increase from a year earlier. This increase occurred as the number of federally insured credit unions fell to 5,844 in the quarter, down 246 from a year earlier.

Forty-two percent of all federally insured credit unions now have the low-income designation and are therefore able to enjoy the additional benefits of the low-income designation.

These benefits include:
- Access to secondary capital
- Access to additional non-member funding sources
- Expansion of non-member business loan limits

While each of the three components outlined above are important, the non-member funding component is essential to each. That is why CMS has created products to specifically address this need for LICUs.

The first product provided exclusively by CMS is the Non-Member Funding Program (NMFP). It allows LICUs easy access to large corporate and public fund deposits through a network of institutional depositors. Large deposits made by corporate and public fund entities are allocated by the network custodian, in fully insured increments (up to $250k), to federally insured institutions in the network.
Once approved, LICUs can access these funds available in the CMS NMFP to generate **immediate liquidity**. Funds requested are deposited in a “lump sum” amount into a money market account, set up by the LICU in the name of the network custodian.

**Highlights of the Non-Member Funding Program include:**
- Easy administrative process to open an account
- Account opened with LICUs current forms
- No regulatory issues – NCUA permissible activity
- No fees assessed to open the account
- No collateral required to secure funds received
- Funding can be requested with a single phone call to CMS
- Funding may be returned at any time with no penalty or fee
- Cost of funds competitive with other money-market deposit options (FHLB)

Since there are no fees to access the funding network, the NMFP is an essential tool for all LICUs to manage their liquidity. While an institution may not need access to non-member deposits today, having the account opened provides an immediate source of funding when the need arises and it can always be added to your contingency funding plan.

The next funding product due for release by CMS in Q1 2017 will provide LICUs access to term deposits out through 10 years to complement the money market instrument now available. Additional deposit products are under development by CMS and will be released later 2017 ... stay tuned!

Visit [www.cucmsllc.com](http://www.cucmsllc.com) or call a CMS Representative at 800-222-0978 today to access this immediate source of liquidity!

As a CUSO, CU Capital Market Solutions, LLC (CMS) provides innovative balance sheet solutions designed to maximize the earnings of our credit union clients. CMS consultants work with credit union CEOs and CFOs nationally to customize a variety of strategies to fit the needs of each individual credit union client. With a challenging interest rate environment, CMS believes that having multiple tools to succeed in the competitive financial services marketplace is paramount for the credit union movement.