



GSE Activity Report

Monday, December 27, 2021

More for MSAs

Late last week, the NCUA put a small addition into the Christmas stockings already stuffed by the regulator over the past few months with numerous regulatory liberalizations. In the latest [ruling](#), it allowed eligible federal credit unions to purchase MSAs as long as these come from other federal credit unions. MSAs are also allowed only for highly-rated FCUs and for loans the credit union could otherwise hold with the assets coming under risk-based capital similar to the standards for banks if the FCU is also a "complex" entity. If not, far more liberal capital standards apply.

All FCUs together hold assets of about \$2 trillion. As a result, they are far from a small market for on-the-run MSAs. How much deeper the off-the-run market grows due to increased credit-union appetite to play in this game remains to be seen, but we would expect the impact of NCUA's action to be only marginal in terms of forward-looking MSA pricing.