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AMERICA'S CREDIT UNIONS

September 5, 2017

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314–3428

RE: Comments on Stabilization Fund Closure

Dear Mr. Poliquin,

The Georgia Credit Union League (GCUL) appreciates the opportunity to respond to the request for comments on the proposal to close the Temporary Corporate Credit Union Stabilization Fund (stabilization fund) ahead of schedule and to set the Normal Operating Level (NOL) of the National Credit Union Share Insurance Fund (NCUSIF). As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL supports more than 114 Georgia credit unions that serve over 2 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed requests for comments such as this.

Our member credit unions applaud the National Credit Union Administration's (NCUA) willingness to close the stabilization fund now that the effective purpose has concluded. We commend NCUA for successful management of the Stabilization Fund to get us to the point where we can discuss the possible early closing of the fund. The Stabilization Fund is one of the tools that the NCUA Board and staff used to shepherd federally-insured credit unions through the great recession and its closure demonstrates the strength of credit unions and the credit union system. In addition, we thank the NCUA Board for listening to and working with credit unions on a plan to close the Stabilization Fund, and for putting this proposal out for comment.

The Federal Credit Union Act (12 U.C. Code §1790 (e)) provides the Board with the legal authority to close the Temporary Corporate Credit Union Stabilization Fund (stabilization fund) early when it has no deficit. GCUL is supportive of NCUA closing the Temporary Corporate Credit Union Stabilization Fund and our member credit unions would like to see it closed in 2017 with a distribution in 2018 to credit unions. Furthermore, GCUL requests the NCUA to return as much money from the funds as soon as possible so that their member credit unions can put the funds to work for their members. The benefits of immediate access to funds for credit unions and their members outweigh the risk of a possible downturn in the economy requiring a future premium charge.

Although we understand NCUA's concern for the possible economic downturn, GCUL recommends that the Agency set the NOL (normal operating level) at a level sufficient to withstand a moderate recession and remain at or above 1.2% of insured shares over a **two-year** forecast horizon. This is a continuation of the successful NOL policy established by the Board in 2007.

NCUA is now proposing to modify that policy by extending the forecast horizon from two years to five years. In the current context that would require raising the NOL to 1.39%. We believe this will divert millions of dollars from credit unions that should be returned to credit unions and their members. Instead we ask the NCUA to increase the NOL a temporary 4 basis points for the exposure to legacy asset volatility. The increase in the normal operating level should be temporary and last only so long as the legacy assets remain on the balance of the Share Insurance Fund, and should be phased down as the risk exposure from those asset declines and as total insured shares increase.

For almost all its history, the NOL has been set at 1.3%, which also is the level above which Congress has stipulated that a premium cannot be charged. This strongly suggests that Congress believed that a normal operating level above 1.3% was very unlikely and not necessary. Had Congress anticipated that a NOL above 1.3% might be likely, it would have granted the Agency the power to charge a premium at equity ratios above 1.3%.

Regarding a temporary provision to govern an NCUSIF equity distribution from the closing of the stabilization fund, we prefer the "Last-in, First-out" basis over the "First-in, First-out" approach. Both methods have merit, which was well described in the proposal. GCUL believes if those were the only options, it would be most beneficial if credit unions receive equity distributions for their most recent corporate assessments first, which would cover the larger assessments. Another approach, could be a distribution based on a calculation of total assets made by each credit union.

Conclusion

To Summarize, GCUL and its member credit unions believes that NCUA should:

- Close the stabilization fund and merge its equity into the NCUSIF as soon as possible in 2017;
- Set the NOL of the NCUSIF at 1.34% (a level that is sufficient to be prepared for a moderate recession) for a temporary period of time;
- Return to the policy of 1.30% as exposure to the legacy asset volatility decreases; and
- Distribute to credit unions as soon as possible a dividend.

We appreciate the NCUA Board for putting this proposal out for comment despite that the statutory language governing the termination of the Stabilization Fund does not require the Board to do so. GCUL appreciates the opportunity to present comments on behalf of Georgia's credit unions. Thank you for your consideration. If you have questions about our comments, please contact Cindy Connelly or Selina Gambrell at (770) 476-9625.

Respectfully submitted,

Cindy Connelly

Cynthia A. Connelly
Senior Vice President/ Government Influence