

August 31, 2017

Mr. Gerard Poliquin  
Secretary to the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3425

***Re: National Credit Union Share Insurance Fund Equity Distributions***

Dear Mr. Poliquin:

On behalf of Service 1<sup>st</sup> Federal Credit Union (Service 1<sup>st</sup>), I am writing to you regarding the National Credit Union Administration's (NCUA) proposal to close the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) and raise the National Credit Union Share Insurance Fund's (SIF) normal operating level (NOL) to 1.39 percent.

This letter is written on behalf of the Board of Directors, management team and members of Service 1<sup>st</sup>. Service 1<sup>st</sup> is a federally chartered credit union with \$329 million in assets serving over 28,000 members in Central Pennsylvania.

The cause for the potential decline in the NOL is NCUA's operating expenses, not losses. Today, NCUA is charging over 72% of its operating expenses to the NCUSIF (up from 52% in 2008). This transfer of costs now uses up more than 90% of the NCUSIF investment income. If the NOL declines due to this event or any other contingency requiring a premium to stay within the NOL range of 1.2 – 1.3 percent, then the board should then come to credit unions with the facts supporting such request.

During the corporate crisis, Service 1<sup>st</sup> paid premiums of over \$924 thousand to fund the losses in the TCCUSF. We believe NCUA's proposal to merge the TCCUSF fund into the NCUSIF to accelerate payback of recoveries is a good first step. However, raising the NOL to 1.39 percent will divert money away from Service 1<sup>st</sup> that can be given back to our members and communities which is what the credit union model is all about. Our projected rebate of \$354 thousand would be reduced to a projected rebate of \$160 thousand with the NOL increase. This \$194 thousand could be better used at Service 1<sup>st</sup> to better the lives of our members and the communities we serve. These funds were sent for a single purpose and should not be diverted to other uses.

It appears the NCUA is attempting to merge two separate issues into one for their own benefit. In an effort to retain excess funds that should rightfully be returned to credit unions, NCUA is proposing an increase in the NOL which will retain billions of dollars that could be better put to use at credit unions. The closure of the TCCUSF and the potential increase of the NCUSIF should be treated as two different events. If the NCUSIF funding level needs to be increased, the proposal should stand on its own and be subject to its own examination.

Thank you very much for the opportunity to comment on this proposal. While I appreciate the NCUA's dedication to return funds to credit unions, I believe a full rebate is critical to a TCCUSF disposition strategy. Please do not hesitate to contact me if I can provide additional information or perspective on this matter.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael Thomas". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Michael Thomas  
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