1st Liberty
FEDERAL CREDIT UNION

September 1, 2017

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

Re: NCUA's proposal to merge the share insurance fund with the temporary corporate Credit Union stabilization fund and increase the normal operating level

Dear Mr. Gerald Poliquin:

On behalf of 1st Liberty Federal Credit Union, I am writing in regards to the National Credit Union Administration's (NCUA) proposal to close the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) and raise the National Credit Union Share Insurance Fund's (SIF) normal operating level (NOL) to 1.39 percent. While I support NCUA providing rebates to credit unions as soon as possible, I am very troubled with NCUA's proposed approach of merging the Stabilization FUND with the SIF and increasing the NOL. Specifically, increasing the NOL will divert hundreds of millions of dollars that rightfully should be returned to the Credit Unions that paid out significant funds at a very difficult time in our economy over the last 9 years.

Please be reminded the large amount left in the Stabilization Fund is money all paid by Credit Unions and continues to be the Credit Union's money, and should be rebated at the earliest time possible. The promise made to rebate any excess funds back to the Credit Unions was to be completed no later than 2021. Again this is our money, not the agency's money and we expect promises made to be promises kept.

In addition there does not seem to be sufficient reasoning to increase the NOL at this time. Losses have been reasonable and expenses are being managed by the agency which we appreciate. In addition we experienced a 30% increase in our examination expense this year which is a significant increase over previous years which increase the operational income at the NCUA.

The current NOL of 1.30 percent is sufficient to weather economic downturns; it sufficed during the financial crisis, which was the greatest economic downturn since the Great Depression. If the SIF withstood the financial crisis, it stands to reason that the NOL does not need to be raised by 5 basis points, and the current level will enable the SIF to withstand a moderate financial crisis. Additionally, the transfer of assets from the Stabilization Fund to the SIF would likely offset the additional liabilities of the NCUA Guaranteed Notes (NGN), thereby negating the need to increase the NOL by 4 basis points proposed by NCUA.

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By your estimates, closing the Stabilization Fund and transferring its assets to the SIF would increase the equity ratio to approximately 1.45 - 1.47 percent. At the current NOL of 1.30 percent, that would mean that 15-17 basis points, or $1.5-1.7 billion should be returned to Credit Unions. However, this proposal would reduce that amount by more than half, and only give Credit Unions $600-800 million. A partial rebate is not acceptable; Credit Unions have already paid for the financial crisis and are entitled to a full rebate.

Finally, as others have noted, I believe that NCUA has the discretion to transfer assets directly from the Stabilization Fund to credit unions, especially to Credit Unions that hold corporate Credit Union capital notes.

Thank you very much for the opportunity to comment on this proposal. While I appreciate the agency's dedication to return funds to Credit Unions, I believe a full rebate is critical to a Stabilization Fund disposition strategy and was what was originally proposed in 2008-09. If I can be a source of any further information on this comment letter, please do not hesitate to contact me at (406) 761-8300 or by email at steve.grooms@1stliberty.org.

Sincerely,

Steven N. Grooms
President/CEO
1st Liberty FCU