MOUNTAIN AMERICA
CREDIT UNION

P.O. BOX 9001 ▲ WEST JORDAN, UTAH 84084 ▲ TOLL-FREE 1.800.748.4302

September 5, 2017

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

Re: Proposal for Closure and Merger of Temporary Corporate Credit Union Stabilization Fund (TCCUSF) into the National Credit Union Share Insurance Fund (NCUSIF)

Dear Mr. Poliquin:

On behalf of the Board of Directors and management of Mountain America Federal Credit Union (Mountain America), I would like to provide the following comments regarding the proposal by the NCUA Board to take action in 2017 to close the TCCUSF and to merge it into the NCUSIF. In addition, we would like to comment on the NCUA Board proposal to increase the NCUSIF normal operating level from its current 1.30 percent equity position to 1.39 percent.

Mountain America favors the proposal to close the TCCUSF as quickly as possible now that it has become validated that the balance within the TCCUSF is sufficient to cover all losses from the corporate credit unions during the 2008-2012 period and is in a position to fully repay the US Treasury for the borrowings the TCCUSF required in order to absorb those losses. There is no fiduciary reason for NCUA, with the recoveries having been more sizable than could have been originally projected in even the most optimistic models and the value of the legacy assets having been more enhanced through subsequent performance than also could have been projected, to wait until the 2021 end of term to fully repay the US Treasury and close the TCCUSF.

We therefore favor the proposed 2017 closure of the TCCUSF and its merger into the NCUSIF. Our only caveat to that support would be if, in accordance with Generally Accepted Accounting Principles (GAAP) and solid actuarial calculations, there is any question as to whether the TCCUSF is funded adequately at present to cover those losses in full. If such questions remain, we would recommend that NCUA delay the closure and merger until that time.

If not (and all indications based upon statements by NCUA agency leadership seem to indicate no such concerns), we believe the 2017 closure and merger date is the most appropriate date so that the agency is not administering and credit unions are not tracking the performance of two separate funds almost ten years after the inception of the financial crisis which was the genesis of the corporate credit union losses. This action to close the TCCUSF helps to validate that the financial crisis and the subsequent corporate losses have been addressed appropriately (although at great cost to the industry) and are no longer hanging over the collective heads of the credit union industry.

However, based upon our condition stated above that the TCCUSF closure and merger into the NCUSIF reflects a solid basis of dollars in the TCCUSF to adequately cover the losses and repay Treasury sufficiently to justify its closure and merger into the NCUSIF, we cannot see a justification for such a large increase in the NCUSIF normal operating level as proposed.

If the TCCUSF can actuarially cover the corporate credit union losses and repay Treasury, we fail to see why the NCUSIF normal operating level which was sufficient during the height of the financial crisis to cover natural-person credit union industry losses is now - almost ten years after the crisis inception - insufficient at a 1.30 equity level. An increase to 1.39 seems unwarranted and difficult to justify at such a sizable level.

MOUNTAIN AMERICA
CREDIT UNION

P.O. BOX 9001 ▲ WEST JORDAN, UTAH 84084 ▲ TOLL-FREE 1.800.748.4302

We recommend that the normal operating level, which can be changed by the NCUA Board at any time either up or down, remain at its current 1.30 equity level until there is a compelling need to increase the level and, naturally, put into play the resultant premiums on federal insured credit unions. To cover that ultimate need for premiums, based upon actual losses and verifiable potential impact to the NCUSIF, by implementing a dramatic increase in the normal operating level at this time because it is camouflaged by the merger of the TCCUSF into the NCUSIF which will likely create a small dividend or rebate, seems to be something akin to a smoke and mirrors approach.

As we see it, providing a small dividend or rebate in 2018 and then following that with a series of potential annual premiums over the next few years in order to sustain an unnecessarily and unjustifiably higher normal NCUSIF operating level will make it extremely difficult for credit unions to manage and incorporate into well-analyzed and strategically focused budget projections. Back and forth with dividends one year and premiums the next is not good policy. This will, in our view, create uncertainty for many years to come in which a 1.39 equity level will have to be maintained, very likely with regular premiums, in return for a one-time dividend or rebate.

Mountain America believes that the normal NCUSIF operating level should remain at 1.30 until actuarial validation can justify a higher level. In the event such an increase becomes justifiable, we recommend that any increase in the normal operating level be implemented at no more than once every three years and in increments of three basis points in each three-year period.

In other words, unless exigency requires otherwise because of higher than normal losses from natural person credit unions, any validated and actuarially sound increase to a normal operating level of 1.39 that can be justified should take place in three increments of three basis points every three years. This would much better enable credit unions to manage the likely need for premiums over that nine-year period. It would also enable NCUA to fully justify the need to move to a 1.39 equity level on an ongoing basis and subject to annual validation. At this point, based upon the facts at hand, the need seems to be much more speculative than factual for such a dramatic increase in the normal NCUSIF operating level.

We support a strong, well-capitalized NCUSIF. If the need for a higher normal operating level and premiums can be justified at any point in the future, Mountain America will be glad to pay its fair share to bring the NCUSIF to that necessary level. Until that time, we see no justification for such a large increase simply because it may be better politics to increase the level as high as possible while new dollars are being infused into the NCUSIF from the TCCUSF. Each action should stand on its own, justified by the facts and GAAP based actuarial soundness.

Thank you for the opportunity to offer our comments on this important proposal. If I or the Mountain America staff can be a source of further information regarding our thoughts on this matter, please do not hesitate to contact us.

Sincerely,

Sterling Nielsen
President/CEO