September 1, 2017

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

Re: Comments on the Proposal to Merge Insurance Funds, Distribute Funds, Raise the Normal Operating Level

Dear Mr. Poliquin:

Thank you for the opportunity to provide comments on the proposal to close the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) by merging it into the National Credit Union Share Insurance Fund (NCUSIF), to distribute funds to credit unions and to increase the Normal Operating Level of the NCUSIF from 1.30% to 1.39%.

State Employees' Credit Union of Raleigh, North Carolina is the nation's second largest credit union with more than $36 billion in assets and 2.2 million members who are provided services through 258 branches, nearly 1,100 ATMs, 24/7 services via phone and an interactive website, www.ncsecu.org. From 2009 through 2013 SECU members invested over **$162 million** in the two insurance funds through additional premiums and assessments. In addition, SECU members lost over **$21 million** invested in membership capital shares of various corporate credit unions. We currently have **$293 million** of member dollars invested in the NCUSIF. We have an intense interest in how the insurance funds are managed and when and how distributions are made from the assets of the funds (which are credit union monies). Finally, we are concerned with the potential for future premiums or assessments and the imposition by NCUA of a stealth premium assessment by summarily moving the Normal Operating Level of the NCUSIF from 1.30% to 1.39%.

We do not support the NCUA proposal to rush into a premature closure of the TCCUSIF. We ask that the proposal be delayed by one year so that our nations credit unions can have adequate time to review and study the ramifications of the proposal. It took more than 8 years to get to our current position, it is not reasonable for our nations credit unions to be given 45 days to consider the potential impacts of such a rushed and potentially impactful proposal. There has been no real opportunity for thorough investigation, deliberation and thoughtful consideration of the future ramifications of such significant changes.

The dramatic number of assumptions on which the proposed merger of the funds, distributions to credit unions and remaining estimates of future fund balances are fraught with conjecture and hope. We do not know what the future holds with certainty and the TCCUSIF assets will be with us throughout several more economic cycles. It is prudent and reasonable to put off merging the fund into the NCUSIF until greater clarity is provided through the actual performance of fund assets. The NCUSIF should neither be forced to take on additional liabilities and more risk nor potentially gain an advantage by realizing better than anticipated performance of TCCUSIF assets over time. Likewise, the actual returns of the corpus of the membership capital invested by specific credit unions in the failed corporate credit unions should be returned to the investor-credit unions and should not be used to bolster the NCUSIF.

We realize that the intentions of the NCUA are commendable—the early return of funds to credit unions. But what if your estimates, models, assumptions, projections and conjectures are wrong? We suggest that it is more prudent to wait a bit longer to realize the actual performance of the fund assets. Do you believe our nations credit unions want the NCUSIF to potentially take on more liabilities and risk? Certainty provides clarity.

We must also advise that our opinion is that the increase in the Normal Operating Level of the NCUSIF from 1.30% to 1.39% amounts to a “taking” of monies from the investing credit unions—the assessing of an insurance premium without declaring an assessment. Transparency dictates that it is fairer to declare an assessment than to artificially impose one. Once the funds are merged the waters are unnecessarily muddied.

We commend the NCUA for obtaining large financial settlements from various entities who helped contribute to the share insurance losses. We recognize that the idea of a refund would not be on the table were it not for these settlements. While many credit unions eagerly want a refund we don’t believe they want a refund at any cost. There are too many unknowns and too many years yet remaining before the picture is clear and the actual dollar amounts are known.

For all of the above reasons we recommend delaying the closing of the TCCUSIF and merging it into the NCUSIF, holding off on a distribution and not increasing the Normal Operating Fund ratio. Provide our nations credit unions with adequate time to fully consider the potential impacts on such proposals.

Time will tell—if you will allow it!

Thank you for the opportunity to provide comments on the consideration of closing the TCCUSIF and the important related issues.

Sincerely,

Michael J. Lord, President
State Employees’ Credit Union
Raleigh, North Carolina