TEXAS TRUST
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September 1, 2017

Via Email: boardcomments@ncua.gov

Re: Comments on Stabilization Fund Closure

Mr. Gerard Poliquin
Secretary of the Board
NCUA
1775 Duke Street
Alexandria, Virginia 22314-3428

Dear Mr. Poliquin:

Texas Trust Credit Union appreciates the opportunity to submit comments concerning the National Credit Union Administration's (NCUA) plan to close the Temporary Corporate Credit Union Stabilization Fund (TCCUSF).

We fully support the NCUA closing the TCCUSF as soon as possible. Furthermore, we would request the NCUA return money from the funds as soon as possible so we can put the funds to work for our members. Closing the TCCUSF in 2017 with a distribution in 2018 to credit unions is the most efficient and legal way to transfer credit union funds back to credit unions.

We recommend that NCUA merge the two funds in 2017, increase the normal operating level by 4 basis points to insulate the Share Insurance Fund from legacy asset volatility, and pay all excess equity in the Share Insurance Fund to insured credit unions as soon as possible in 2018. Furthermore, the NCUA should explicitly state the increase in the NOL is temporary lasting only so long as the legacy assets remain on the balance of the Share Insurance Fund, and will be phased down as the risk exposure from those assets decline and as total insured shares increase.

We believe that establishing the NOL at a level that would keep the stressed equity level above 1.20% for a five-year period with no premium is excessive. Such a policy would retain more equity than necessary on the balance sheet of the NCUSIF instead of on credit union balance sheets where they could better use it. We believe an NOL policy should envision the possibility of modest premiums as a reasonable approach to maintain the equity ratio above 1.20% if a recession does occur.

For almost all its history, the NOL has been set at 1.30%, which also is the level above which Congress has stipulated that a premium cannot be charged. This strongly suggests that Congress believed a normal operating level above 1.30% was unlikely to be necessary. The NCUA is now proposing to modify that policy by extending the forecast horizon from two to five years. In the current context, that would require raising the NOL to 1.39%. We believe this is too high and would be a departure from NCUA's past successful management of the equity ratio.

The proposal describes three components of the 9 basis points increase from 1.30% to 1.39%. We can understand the need for the additional 4 basis points to account for legacy asset volatility. But the other two components for 5 basis points cushion are totally unnecessary for the risk in the fund as outlined by congress. We believe that the NCUA should use a temporary 1.34% NOL and state clearly that once the legacy assets are gone, the NOL will return to the 1.30% level.

In conclusion, thank you for the opportunity to comment on the proposal. We hope our feedback was helpful.

Sincerely,

David Pickney

David Pickney, CPA
(license to practice in Arkansas)
Executive Vice President and CFO
Texas Trust Credit Union