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Via: Electronic Mail

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

boardcomments@NCUA.gov

Dear Mr. Poliquin:

On behalf of the members of Department of Labor FCU, I am writing in regards to the proposal to close the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) ahead of schedule and to set the Net Operating Level (NOL) of the National Share Insurance Fund (NCUSIF) to a higher level. I do appreciate NCUA's efforts to return the funds to credit unions earlier than expected. I am concerned about the process. There does not appear to be any evidence that the higher NOL is necessary. The 1.3% NOL was sufficient from 2007 to today through one of the worst recessions and slowest recoveries in US history.

Department of Labor FCU is located in Washington, DC. Our credit union has 7,095 members and $86,432,615 assets as of June 30, 2017. During the corporate crisis, we paid premiums of over $465,405 to fund the losses in the TCCUSF. In addition, we merged in a credit union that paid in $134,277 to fund the losses. Those monies had to come from our members. Dividends were lowered, there were delays in hiring staff, and new products and services were postponed.

I am pleased the NCUA board has solicited credit union comment, presented your staff's rationale, and asked our views before acting. This has not occurred in any of the previous board decisions regarding the TCCUSF or the NCUSIF's financial decisions. **As a NCUSIF owner, we want to provide our voice in how the funds are managed.**

We believe NCUA's proposal to merge the TCCUSF fund into the NCUSIF to accelerate payback of recoveries is a good first step.

However, the board and I have deep concerns about the way NCUA staff suggested this be carried out.

1. **There is no reason to withhold any of the recoveries from the TCCUSF** as of December 2017 (estimated at $2.2-$2.4 billion). These are funds sent for a single purpose and should not now be diverted to other contingencies or uses. This is in keeping with NCUA's own statements that recoveries would be returned to credit unions.

2. **There is no objective reason to retain any TCCUSF funds in the combined NCUSIF**. Just 9 months ago, in the December audit, the NCUSIF's Normal Operating Level (NOL) of 1.24% was determined to be sufficient to cover all required contingencies. Today that level is even higher at 1.26%, not including the allowance account of over $200 million.

NCUA's 2016 yearend audit states that "loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated." No such evidence of a loss contingency was presented to withhold over $400 million of TCCUSF recoveries by raising the NOL.

3. **There is no basis for retaining any recoveries for contingencies for NCUA's guarantee of NGN notes collateralized with legacy assets**. The KPMG audit of the TCCUSF looked at this issue and stated in part in an extensive footnote 8 that "there were no probable losses for the guarantee of NGN's associated with the re-securitization transactions" as of both December 2016 and 2015.

4. **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 normal operating range of 1.2-1.3% then the board should then come to credit unions with the facts supporting such a request.

Returning the full TCCUSF isn't just the right thing to do based on all the latest data, it is also the proper action to keep faith with the credit union community. Funds taken for one reason should not be re-purposed for other ends.

Most importantly, we believe the merger should be accounted for in such a way that the operations and income from the TCCUSF program are kept in separate accounts (as a payable to credit unions) and that the funds should be distributed as timely as possible. Mingling these revenue streams with the normal NCUSIF responsibilities and results will only confuse credit unions as to what the real problems are requiring their resources.

If this separation cannot be accomplished, then that would undermine our support for a merger. We, in fact, routinely keep separate accounts in our records for losses and costs for different asset classes.

Our credit union welcomes NCUA's initiative to windup a resolution that has now gone on for almost a decade. We hope that this will also facilitate a process where credit unions and NCUA can now begin to objectively assess what went well and what did not turn out as predicted. For if we fail to learn from this largest of all credit union difficulties, then our losses will be even more than the monies lost.

Sincerely,

Joan M. Moran

Joan M. Moran, CEO

Cc: DOLFCU Board of Directors

Cc: John Bratsakis, CEO MDDCCUA

Cc: Congresswoman Eleanor Holmes Norton