September 1st, 2017

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

Dear Mr. Poliquin:

Thank you for the opportunity to comment on NCUA's proposal to close the Temporary Corporate Credit Union Stabilization Fund and temporarily raise the normal operating level for the Share Insurance Fund. My comments focus on three key questions, as follows:

1. Should the NCUA close the Temporary Corporate Stabilization Fund by September 30th in order to provide a rebate in 2018? Or should this occur at a later time, including closure in 2021, the same time Corporate Capital is returned?

Response – I fully support the merging of the TCCUSF into the SIF before September 30th, enabling the NCUA to return a portion of the assessments to Credit Unions, who will in turn put those funds to the best use for the benefit of their membership. Rivermark Community Credit Union was assessed approximately $4.8 million between 2009 and 2013. At the time, we understood the critical importance that federally insured credit unions, as not-for-profit financial cooperatives, played in supporting a strong share insurance fund during those difficult times. However, the payment of those funds ultimately impacted our ability to best serve our members. A return of those funds in 2018 would be a welcome relief for Rivermark, where we would immediately put those funds to good use in supporting our member's financial needs.

2. If the TCCUSF is closed, how should the funds be returned?

Response – It is my understanding that the NCUA is considering applying a LIFO or FIFO methodology to determine appropriate payouts. It is my opinion that this would be unduly confusing and unnecessarily complex, and I would therefore prefer to have funds be returned in direct proportion to what the credit unions paid.

Additionally, the NCUA is also considering not refunding those few credit unions who have since converted to private insurance, leaving the Federal Charter. As a matter of fairness and appropriate business practices, I believe that those privately insured credit unions should still be entitled to a refund.

3. Is there a compelling argument to increase the normal operating level of the Share Insurance Fund from 1.3% to 1.39%

Response – I do not believe there is a compelling argument to increase the NOL. I believe the normal operating level should remain at 1.3%, and stabilization refunds paid out accordingly. I recognize that the equity ratio of the SIF is projected to finish 2017 at approximately 1.25%, 5 basis points under the NCUA Board's agreed upon NOL. While I understand that these are extraordinary circumstances, I also feel that the NCUA Board's decision in 2007 to set the NOL at 1.3% has served the industry well, through various economic cycles.

The NCUA proposal indicates some potential future volatility in legacy asset performance, potentially impacting the equity ratio of the SIF. In my opinion, setting funds aside for potential future legacy asset fluctuations is not necessary. In the event that future legacy asset volatility results in a need to assess credit unions, I would be supportive of writing that check. I think it's a misnomer to assume that the industry would be unwilling to be assessed premiums in the future due to legacy asset volatility and its impact on the equity ratio. I believe the credit union industry fully understands the unique circumstances of this situation, and would support having the funds refunded in 2018, with the understanding that there may be a risk of being assessed within the next few years due to future asset volatility. Additionally, I believe statute allows the NCUA ample time to develop a plan to restore equity in the event asset volatility and other economic circumstances dictate that need.

Additionally, with regard to legacy asset volatility projections, my observation is that the performance of those assets has consistently exceeded NCUA projections for the last several years. I appreciate the NCUA's effort to quantify performance over various economic scenarios, but feel the agency may have been overly conservative in their estimates.

Additionally, it is my understanding that the NCUA proposes to set aside 5 basis points to provide the Share Insurance Fund a "cushion" to absorb the impact of an economic recession. Projecting future recessions and the impact on the SIF is not appropriate in my opinion. From our standpoint, I believe NCUA would take issue if my credit union set aside substantial funds in anticipation of a future change in the Allowance for Loan and Lease Loss methodology (CECL). That type of accrual would be viewed as inappropriate. The SIF has served the industry well at the 1.3% normal operating level. If, in fact, a moderate or even severe recession occurred, resulting in a reduction in the SIF's equity ratio, I would be fully supportive of being assessed a premium at that time, as opposed to negatively impacting the refund now.

In summary, I support the immediate closure of the TCCUSF, merging it into the SIF. I also feel that any stabilization refunds should be paid out in direct proportion to what each credit union has paid into the fund, vastly simplifying the refund process. And, finally, I am opposed to arbitrarily setting aside TCCUSF funds to allow for future uncertain legacy asset volatility and economic performance. I support a continued NOL of 1.3% and understand that, if future circumstances dictate the need, we would be supportive of being assessed premiums in order to ensure the Share Insurance Fund remains adequately funded. I also feel strongly that those few credit unions who converted to private share insurance after they paid their fair share of corporate stabilization dollars should be fairly refunded, just as the rest of us.

Thank you for the opportunity to comment on the NCUA's proposal, and I appreciate that the NCUA has shown a desire to address the TCCUSF issue well in advance of the 2021 date.

Sincerely,

Scott Burgess
President & CEO
Rivermark Community Credit Union