OnPoint
COMMUNITY CREDIT UNION

August 31, 2017

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA. 22314
(Sent via email)

Dear Mr. Poliquin,

Thank you for the opportunity to comment on NCUA's proposed closure of the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) into the National Credit Union Share Insurance Fund (NCUSIF). OnPoint Community Credit Union (OnPoint) is a state-chartered Credit Union headquartered in Portland, Oregon serving over 330 thousand members and we are pleased to provide our input on this important issue.

Closure of TCCUSF

OnPoint strongly supports the closure of the TCCUSF in 2017. This action will avert a premium assessment on the NCUSIF in 2017, which would cause earnings volatility for credit unions, and will make the funds available for productive uses starting in 2018. We applaud the excellent fund management demonstrated by NCUA in arriving at a proposal to combine the TCCUSF into the NCUSIF, now that excess dollars in the TCCUSF clearly exist and can be reliably projected through the 2021 final asset dispositions.

Return of Funds to Credit Unions

In addition to prompt closure of the TCCUSF, OnPoint supports the return of excess funds to credit unions as soon as possible. The dollars in the fund rightfully belong to the credit unions that paid them many years ago, based on estimated asset impairment estimates that were projected at that time. Now that the underlying mortgage assets are well seasoned, fewer losses have been incurred/are expected to be incurred, and certain legal recoveries have been made through law suits with third parties, the fund has served its purpose and excess funds, which represent an over-payment of TCCUSF premium assessments, should be returned. Credit unions will use these funds to better serve their memberships; for the betterment of the credit union industry as a whole.

The refund of over-paid premiums to credit unions should be made proportionally to amounts initially paid into the fund. This is a fair way to refund the overpayments that does not favor any group of credit unions.

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NCUSIF Operating Level

As part of the proposed closure of the TCCUSF into the NCUSIF, NCUA proposes to increase the maximum normal operating level, over which dividend payments are required, from 1.30% to 1.39%. This proposed increase is comprised of a 4 basis point potential loss reserve associated with TCCUSF assets that will be disposed in 2021 (assuming a moderate recession), and an additional 5 basis point reserve to cover the potential of a moderate recession occurring over the next 5 years of operations. Importantly, no future reduction/return of the NCUSIF normal operating level to its 1.30% current level is included in this proposal.

While it can be tempting to retain funds that are identified as excess in today's environment in the combined fund in case of less favorable business conditions in the future, we believe this is not an appropriate handling of the funds unless there is probable, quantifiable evidence that such amounts will be needed to cover fund reductions. Specifically, holding excess funds in case of a moderate recession in the next 5 years, unless such a recession is forecasted with significant probability, appears to be an overly-conservative approach. It's conceptually similar to natural person credit unions holding loan loss reserves against our loan portfolios – we cannot hold excess funds in good times to make up for un-forecastable future bad times. If we hold reserves in excess of normally-forecasted losses, we have to clearly justify the qualitative and environmental factors that lead us to determining the funds are needed. Forecasting models are built on assumptions, many of which do not actually occur, as demonstrated by the difference in experience with the TCCUSF actual funding needs versus the initial forecasts of TCCUSF needs that premium assessments were based upon.

OnPoint supports the **temporary** increase of the normal operating level by 4 basis points, to 1.34%. The normal operating level should be reduced in tandem with the estimated exposure to losses from TCCUSF legacy assets, and should be returned to 1.30% in 2021 when those assets are disposed. If the NCUSIF requires premium assessments to maintain adequate capital levels in the future, those assessments should occur at the point they are determinable, based on standard forecasting methods. In the meantime, amounts in excess of 1.34% in the combined fund should be returned to credit unions so they can be used efficiently to serve members and invest in the future. Both the temporary increase in normal operating level and the decline of that level back to the current 1.30% should be part of this proposal, to cover the complete cycle of known/reliably forecastable activity and return the NCUSIF to its historic, well-functioning capital range of 1.20% to 1.30%.

Thank you again for the opportunity to comment on this proposed fund closure. We appreciate NCUA's effort to avoid NCUSIF premium assessments in 2017 and bring the TCCUSF to an appropriate end, allowing for the return of amounts originally advanced to the fund by credit unions to go back to the credit unions who can put the money to productive uses.

Sincerely,

Veronica M. Ervin

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SVP/Chief Compliance Officer