RiverValley
CREDIT UNION

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August 31, 2017

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

Re: Comments on Closing the Temporary Corporate Credit Union Stabilization Fund, Setting the Share Insurance Fund Normal Operating Level and Share Insurance Fund Equity Distribution

Dear Mr. Poliquin:

River Valley Credit Union agrees with the NCUA's decision to merge the TCCUSF into the NCUSIF as this appears to be the only existing mechanism that will allow the Agency to distribute the considerable excess funds available. This allows the natural person credit unions to invest those funds back into what is best for respective members. Further, River Valley applauds the Board's determination that it is finally time to begin closing this unfortunate chapter in the history of our industry. However, we have a couple of concerns regarding some of the specifics of the proposal.

According to the information provided in your request for comment, merging the two funds would add approximately 19 basis points to the NCUSIF equity ratio at year-end 2017. This would increase the ratio from 1.26% to 1.45%. The Agency is then proposing to use 13 bps from the TCCUSF and increase the Normal Operating Level (NOL) to 1.39%. This would seem to be a comingling of funds specifically intended to cover corporate credit union losses with those intended to cover activity at natural person credit unions.

It certainly makes sense to hold back the reasonable projection of 6 bps (Adverse Stress Scenario) to cover potential future losses <u>specifically related to the corporate crisis</u>. This would increase the current ratio from 1.26% to 1.32% in your base case, or to 1.30% in your severely adverse case. It would then leave, at a minimum, 13 bps to refund back to those credit unions that paid assessments into the TCCUSF. Since the Agency's plan is to reimburse only 6 to 8 bps, the remaining 5 to 7 bps appears to be earmarked to cover <u>future natural person</u> credit union activity. This is, for all intents and purposes, a hidden $500 to $700 million NCUSIF insurance premium.

The Agency should also be commended for recognizing that the resulting NCUSIF equity distributions should "go first towards repaying FICUs that paid corporate assessments." Both the LIFO and FIFO distribution methods mentioned in the request for comment have merit. While LIFO tends to favor repayment to faster growing credit unions, FIFO would have the opposite effect. A third approach that would seem much easier is to simply determine each eligible credit union's total contribution over the assessment period as a ratio of the total assessment amount. This ratio could then be applied to any distribution. While this may still tend to favor faster growing credit unions, it would seem a more fair and equitable distribution method.

With all of this in mind, we believe the appropriate course of action would be a full distribution of all funds above the amount specifically related to the corporate crisis. The approximate 13 bps should be distributed pro rata based on the actual total amounts contributed by individual credit unions over the entire period. The Agency should factor mergers and, wherever reasonable, credit union liquidation estates into those distributions. This would accomplish the goal of closing out the considerable excess funds from the TCCUSIF and fairly reimbursing credit unions that paid into the fund, while also keeping 6 bps to cover "adverse" activity. Then, and only then, the Agency should separately charge an assessment, when appropriate, for natural person credit union activity.

Thank you for the opportunity to comment on this very important matter. We look forward to the Agency's final determination.

Sincerely,

Lee Spivey
Senior Vice President

Cc: Paul L. Mercer, President
Ohio Credit Union League