Quorum
FEDERAL CREDIT UNION

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

August 29th, 2017

Dear Mr. Poliquin:

On behalf of Quorum Federal Credit Union, I am writing to you regarding the National Credit Union Administration's proposal to close the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) and raise the National Credit Union Share Insurance Fund's (SIF) normal operating level (NOL) to 1.39%. I had the opportunity to view NCUA's webinar on August 9th, 2017 and I appreciated the opportunity to learn more about the proposal.

Although there could conceivably be short-term benefits to merging the Stabilization fund with the SIF, we believe that such a move at this time would not be in the best interest of credit unions. If the agency hastily implemented the current proposal, credit unions would only receive 40% of what is rightfully their money. This "cash grab" constitutes a 60% premium charged to the industry. In rushing such a complex proposal, NCUA is trying to distract credit unions with the promise of dividends as the agency keeps nearly $800 million for itself by increasing the NOL to the highest level in the history of the SIF. That money should rightfully be returned to credit unions that made sacrifices as a result of the Stabilization Fund assessments.

The current NOL of 1.30% is sufficient to weather economic downturns; it sufficed during the financial crisis, which was the greatest economic downturn since the Great Depression. It certainly stands to reason that the NOL does not need to be raised by 5 basis points to allow the SIF to withstand a moderate economic recession. Additionally, the transfer of assets from the Stabilization Fund to the SIF would likely offset the additional liabilities of the NCUA Guaranteed Notes (NGN), thereby negating the need to increase the NOL by 4 basis points as proposed by the NCUA.

Finally, if the NCUA Board raises the NOL now, there is no guarantee that the Board will return it to a normal operating level. There is no provision in NCUA's proposal for unwinding the increase in NOL. Even after the NGN program has ended in 2021, credit unions would have no assurance that the NCUA Board would return the NOL to 1.3 percent at that time.

Thank you very much for the opportunity to comment on this proposed regulation. While I appreciate the agency's dedication to return funds to credit unions, I believe a full rebate is critical to Stabilization Fund disposition strategy.

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Sincerely,

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