YSCU YS FEDERAL CREDIT UNION

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August 31, 2017

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

Re: Request for Public Comment Regarding Stabilization Fund Closure

Dear Mr. Poliquin,

I am the CEO of YS Federal Credit Union (YSFCU), a small credit union in Yellow Springs, Ohio. We appreciate the opportunity to comment on the proposal to close the temporary corporate credit union stabilization fund (stabilization fund) ahead of schedule and to set the Normal Operating Level (NOL) of the National Credit Union Share Insurance Fund (NCUSIF). We applaud National Credit Union Administration's (NCUA) willingness to close the stabilization fund now that its effective purpose has concluded.

YSCU encourages NCUA to close the stabilization fund in 2017 by merging it into the NCUSIF. Since corporate stabilization costs have been paid, there is no longer a purpose to maintain the stabilization fund. We do not believe there is a compelling reason to delay the closing.

The original losses were estimated at $15 billion, with $10 billion of those losses assessed to natural person credit unions. In light of recent legal victories and new legacy asset estimates, the current estimate is a total loss of $5.5-$7 billion. As such, credit unions have overpaid into the stabilization fund and can expect a rebate of assessments and a refund of capital depletion. We understand that the stabilization fund is currently at a net positive of at least $1.5 billion.

We request that NCUA set the NOL at 1.34% for a temporary period of time, followed by a return to the 1.30% NOL after a period of several years. In 2007, the Board established policy for setting the NOL. This policy dictated that the share insurance fund's equity ratio would be countercyclical, rising in good times so that premiums would not be necessary at the troughs of a recession. Since then, the NOL has been set at 1.30% every year. NCUA's proposal to set the operating level at 1.39% is unnecessary and a significant deviation from NCUA's proven, successful policy precedent. The rule proposal contemplates what equity ratio would be necessary in the scenarios of a moderate and severe recession. We believe the NOL should be set to be able to withstand a moderate recession. Credit unions should not have to prepay for NCUSIF's anticipated lower earnings by foregoing refunds from the merger of the stabilization fund and NCUSIF. **The majority of the increase to the NCUSIF equity ratio should be distributed to credit unions as a dividend as soon as possible in 2018. We urge NCUA to distribute eleven to thirteen basis points to credit unions rather than the proposed six to eight basis points.**

Conclusion

To summarize, we agree with the Ohio Credit Union League, that NCUA should:

- Close the stabilization fund and merge its equity into the NCUSIF as soon as possible in 2017;
- Set the NOL of the NCUSIF at 1.34%, a level sufficient to be prepared for a moderate recession, for a temporary period of several years;
- Return to the NOL policy of 1.30% as financial exposure to legacy assets diminishes; and,
- Distribute to credit unions as soon as possible in 2018 a dividend at a level of 11 to 13 basis points.

Respectfully,

S. Hollenberg, CEO

Sandy Hollenberg, CEO

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