New Jersey Credit Union League

September 1, 2017

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

emailed: regcomments@ncua.gov

RE: Comments on Requirements for Insurance; NCUSIF Equity Distributions; 12 CFR Part 741, RIN: 3133-AE77

Dear Mr. Poliquin:

The New Jersey Credit Union League (NJCUL) is the non-profit trade association representing the interests of 105 credit unions providing financial services to their members in the state of New Jersey. NJCUL is committed to the development of the credit union movement by creating a collaborative environment in New Jersey that adds value through shared services, consumer awareness, and innovative market development. We thank the Board of the National Credit Union Administration (NCUA) for the opportunity to share our views on the agency's proposed changes to its calculation of equity distributions from the National Credit Union Share Insurance Fund (NCUSIF); including a temporary provision to govern NCUSIF equity distributions resulting from the winding down of the Corporate System Resolution Program.

I am writing on behalf of NJCUL, and our credit union members, to express our agreement that NCUA has the authority to close the Troubled Corporate Credit Unions Stabilization Fund (TCCUSF) and our support that it is the correct action to take. NCUA took appropriate steps during the financial crisis to remove capital from credit unions to insulate the tax payer from financial distress within the system. Fortunately, today, some of this capital remains and is no longer needed in this capacity.

The original reason for the establishment of the temporary Stabilization Fund was to cover the cost of troubled corporate credit unions, with assessments on credit unions in manageable, annual installments, rather than all at once. Those costs have now been more than fully covered and the risk contained. It is the opinion of the NJCUL that there is no reason for the Stabilization Fund to continue. Further, NJCUL urges NCUA to close the Stabilization fund in 2017 by merging it into the Share Insurance Fund so that as early as 2018 credit unions can receive a return of excess equity above the Normal Operating Level (NOL). The Stabilization Fund was originally established to expire in 2016, but in 2010, the date was extended to 2021, to allow credit unions more time over which to spread the costs of the corporate resolution. Since the total

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cost of resolving the conserved corporates is now known to be lower than anticipated in 2010, and substantially less than the amounts credit unions have paid toward the resolution, an earlier closing of the Stabilization Fund is appropriate and the right thing to do.

While NJCUL recommends NCUA provide rebates to credit unions as early as 2018, there is concern over NCUA's plan to markedly increase the NOL, which will divert millions of dollars that rightfully should be returned to credit unions and their members. Increasing the NOL from 1.30 percent to 1.39 percent would reduce the rebate from approximately $1.5 billion to 1.7 billion to $600 - $800 million. A partial rebate is not acceptable; absent the presence of a systemic crisis on the scale faced in 2009, credit unions have fully paid for the corporate financial crisis and are entitled to a full rebate.

Doing so will provide credit unions the ability to present a more accurate financial picture of a stronger, sound system to its members, as well as provide them the necessary flexibility to make business decisions to invest in opportunities beneficial to its members.

NJCUL does not feel it is necessary to raise the NOL at this time. NJCUL believes that the Share Insurance Fund is able to withstand a moderate to severe recession at the current NOL of 1.3 percent. It has performed well during the past two moderate recessions and one severe recession since its capitalization in its current form. Following the moderate recession of 2001, the Fund ended the year with a 1.25 percent equity ratio without any premium. During and after the severe recession of 2007 to 2009, the Fund's lowest year-end equity ratio was 1.23 percent, with premiums of 10 basis points in 2009 and 12.3 basis points in 2010.

NJCUL thanks the NCUA Board for the opportunity to comment on this proposed rule and for considering our views on the calculation of equity distributions from the NCUSIF, including a temporary provision to govern NCUSIF equity distributions resulting from the Corporate System Resolution Program. We again urge NCUA to close the Fund, merge it with NCUSIF, maintain the NOL at 1.30 percent, and make initial distributions to credit unions as early as 2018.

If you have questions or would like to discuss our comments in more detail, please contact me at dfrankil@njcul.org, or by telephone, at 1-800-792-8861.

Sincerely,

David Frankil
President/CEO
New Jersey Credit Union League

cc: CUNA

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