Financial Partners Federal Credit Union

September 5, 2017

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

RE: Comments on Stabilization Fund Closure

Dear Mr. Poliquin:

Financial Partners Federal Credit Union (FPFCU) in Woodburn, Indiana appreciates the opportunity to submit comments on the National Credit Union Administration's (NCUA) plan to close the Temporary Corporate Credit Union Stabilization Fund (TCCUSF). FPFCU serves nearly 3700 members in Eastern Allen County, Indiana with shares totaling just over $28 million.

FPFCU strongly supports NCUA closing the TCCUSF and returning as much money from the excess funds as soon as possible so that they can put the funds to work for members. Our credit union supports NCUA's proposed timing of closing the TCCUSF in 2017 with a distribution in 2018. However, we do have concerns with some parts of the proposed plan that we believe will hinder returning as much as possible to credit unions. We believe that the change in the method of setting the normal operating level (NOL) of the share insurance fund should not be included as part of closing the TCCUSF.

Our credit has broken down our overall position on the closure into two separate detailed discussion questions posed by the NCUA in the proposal.

Discussion Question #1: Should the Agency close the Stabilization Fund in 2017, close it at some future date, or wait until it is currently scheduled to close in 2021?

Our bottom line position would be not to wait until 2021 as this would get the money back to the credit unions in a more timely fashion. Therefore, FPFCU is in full agreement with the NCUA's stated desire to close the TCCUSF in 2017 by merging it into the NCUSIF.

FPFCU would like to see the TCCUSF closed as early as possible to facilitate a distribution of excess funds as early in 2018 as feasibly possible so that in early 2018 credit unions can receive a return of excess equity above the normal operating level. The NCUA has provided credit unions data indicating the improvements of the legacy assets from the conserved corporates. Moreover, there has been significant decline in the corporate resolution costs from the original estimates in 2010; and that those resolution costs have been fully covered. Therefore, we believe that there is no need to consider continuing to have the TCCUSF exist. It is well within the authority of the NCUA Board to close the TCCUSF early, and we agree with doing so now rather than later.

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NCUA states in their write up with the proposal that Blackrock's and NCUA's analysis indicates the potential impact of a moderate recession on the equity ratio of the NCUSIF after merging the funds would only be 4 basis points of current insured shares. As insured shares continue to grow, this impact becomes even less than estimated. This risk is based on the ongoing risk with the legacy assets absorbed into the NCUSIF balance sheet. FPFCU believes this risk is manageable within the existing framework of the NOL, and the current process for determining the NOL. Our credit union is not against a temporary increase in the NOL of the NCUSIF of 4 basis points (1.30% to 1.34%) to offset this legacy asset risk as long as there were specific schedules that would reduce the additional 4 basis points over the next four years. This would allow additional funds to potentially be sent back to credit unions as the legacy assets amortize and the overall risk to the NCUSIF decreases.

Discussion Question #2: Should the Agency set the normal operating level (NOL) based upon the Share Insurance Fund's ability to withstand a moderate recession? Or, should the Share Insurance Fund be able to withstand a severe recession? And should the NOL be set based on preventing the stressed equity ratio from falling below 1.2% or some other level?

FPFCU believes that the current policy of setting the NOL at a level sufficient to withstand a moderate recession and remain at or above 1.2% of insured shares over a two-year forecast horizon is sufficient. Our credit union believes that this approach has worked well during very difficult economic times since its beginning in 2007. We are adamant in our belief that this proposal should address any direct additional risk from merging the two funds, and not include additional changes to the method for figuring the NOL.

Under this proposal, the NOL would be increased to 1.39% in order to withstand a moderate recession and maintain an equity ratio above 1.20% over a five-year forecast period without the need to assess a premium. FPFCU is strongly opposed to this as it (1) keeps funds from credit unions – especially smaller credit unions – that would enable them to better serve their membership; and (2) it is unnecessary to develop a methodology that is intended to over fund the NCUSIF to avoid potential future premiums. We believe that the current approach is satisfactory and that credit unions would prefer to receive greater distribution of excess funds in 2018, knowing that if there is a moderate or severe recession over the next five years affecting the equity ratio, it may be necessary to pay a small premium.

The NCUA outlines three parts to the 9 basis point increase to NOL in their proposal: (1) four basis points to account for legacy asset volatility; (2) two basis points for the expected decline to the share insurance fund over the next two years due to normal operating conditions [relatively strong insured share growth combined with low yields on the Fund's investments]; and (3) three basis points to keep the equity ratio from falling below 1.2% over the coming five years assuming a moderate recession.

It is our credit union's belief that the second and third factors are unrelated to the merger of the TCCUSF into the NCUSIF. The current policy for setting the NOL has worked, and FPFCU does not agree with using these additional factors for justifying a need to have a higher NOL – they are unnecessary and should not be considered as part of a proposal to close the TCCUSF.

The NCUA estimates that the merger of the two Funds in 2017 would add between 20 to 22 basis points to what would otherwise be the Insurance Fund's equity ratio of 1.25% as of the end of the year. Of those 20-22 basis points, only 6-8 basis points would be distributed to credit unions in 2018.

It is our credit union's position that an 11-17 basis point distribution to credit unions early next year by only raising the NOL at most to 1.34% to account for legacy asset volatility is appropriate. We still believe that the NCUSIF could manage the four basis point risk associated with the legacy assets under the current NOL format. Again, we believe that credit unions would strongly prefer NCUA return the excess funds today, knowing that they may be charged small premiums in the future if necessary, rather than the surplus stay in the NCUSIF to avoid the potential for future premiums.

FPFCU thanks the NCUA for the opportunity to comment on the proposal to close the TCCUSF. We believe that it is important that the NCUA take this step as soon as possible and place an emphasis on returning as much of the excess funds as possible to credit unions early next year as feasible. If you have any questions about our comment letter, please do not hesitate to give me a call at (260) 632-4245 x 214.

Sincerely,
Financial Partners FCU

David B. Shuey

David B. Shuey, CEO

PC: Financial Partners FCU Board of Directors