azura credit union

September 1, 2017

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

RE: Comments on Temporary Corporate Credit Union Stabilization Fund (TCCUSF)

Dear Mr. Poliquin:

On behalf of the senior management of Azura Credit Union, I appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) Board regarding the proposal to close the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) and use a portion of the excess stabilization funds to raise the National Credit Union Share Insurance Fund (NCUSIF) normal operating level to 1.39%.

We as management officials of Azura Credit Union believe in a strong NCUSIF due to the cooperative structure of credit unions, and especially our share insurance fund. We also desire the NCUSIF to be a well-reserved insurance fund, capable of handling reasonable ongoing loss estimates within the insured credit unions that it represents, all while operating within the parameters established for the fund.

Therefore, after a review of the proposed actions to be taken, we support NCUA's proposal to merge the TCCUSF into the NCUSIF. This action should alleviate the potential for additional premium assessments in the short term, while using a shorter timeline to place excess funds back into the hands of the rightful owners, the insured credit unions. This is significant to credit unions because the TCCUSF currently holds (by the most recent projections) an estimated balance approaching nearly 200% of what is necessary to cover remaining losses from the five corporate credit unions. While there are many arguable reasons for the over-reserved position of the fund today, no one has disputed the fact that NCUA holds far more funds than are needed to complete the resolution of the situation in coming years.

In reference specifically to the proposed actions, we believe the following concerns are the most critical and deserve the most consideration prior to finalization of the plan:

1. The stated intention to move the Normal Operating Level of the NCUSIF to 1.39 percent should be reconsidered. Current statutory requirements allow the range to fall between 1.2 to 1.5 percent, with the level set at 1.3% since 1999. While there are some questions about remaining costs yet to be resolved from the Stabilization Fund, we believe it to be inappropriate at this time to reset the new level to 1.39 percent without additional study,

discussion, and justification. To propose this action at the current time looks (at least on the surface) more like an effort by NCUA to retain a good portion of the excess reserves within the fund for non-stabilization reasons. And to us, this feels inappropriate. The funds were amassed as a result of the failure of five corporate credit unions, and that should be the sole purpose of the use of the funds in question. If it is ultimately deemed necessary to increase the overall operating level of the fund, then that new level should be obtained by increased NCUSIF earnings, general premium assessments, etc.

2. The funds collected and maintained within the TCCUSF were for the sole purpose of resolving the failure of five corporate credit unions. As projections indicate now, at least three of those corporate credit unions are not insolvent and therefore have assets that should be returned to the owners of those corporates based on the final resolution of their estates. Our belief is that even if the TCCUSF is merged into the NCUSIF, records should be carefully maintained to allow the return of capital to the member/owners of those three corporate credit unions that were in effect never insolvent. At this point, we do not believe that NCUA has addressed this issue as part of the fund merger plan.

It should also be noted in regard to the operating level of the NCUSIF that our research indicates a significant reason for the reducing operating level is the exponential growth in the NCUA budget in recent years. The annual operating budget has nearly doubled within the past ten years, while the number of insured credit unions has dropped by about 40% due to industry consolidation during the same period. While an increase in resources and budget was certainly warranted during the financial crisis, the threat is over today and NCUA needs to devote serious effort to reigning in the increases in expenses, in order to reduce or eliminate the need for future premium assessments on an ongoing basis.

In summary, the correct response from NCUA at this time should be to complete the merger of the TCCUSF into the NCUSIF this year, thereby allowing partial rebates back to credit unions to begin in early 2018, as proposed. Those funds rightfully belong to credit unions and our member/owners, and should be returned at the earliest possible and reasonable date; the proposal in question accomplishes that. Additionally, credit unions have a proven history at generating a reasonable return on these funds just like other member deposits on our balance sheet, compared to NCUSIF returns that tend to pale in comparison most of the time. This fact further justifies the proposal as planned, from an overall financial perspective.

Once again, the senior management of Azura Credit Union sincerely appreciate the opportunity to comment on the proposed regulation. We hope that our comments are taken into account as the proposal is reviewed, considered, and ultimately acted upon.

Sincerely,

Greg A. Winkler

Greg A. Winkler
President/CEO