



September 5, 2017

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

Submitted via email to: regcomments@ncua.gov

Re: Closing the Temporary Corporate Credit Union Stabilization Fund and Setting the Share Insurance Fund Normal Operating Level

Requirements for Insurance; National Credit Union Share Insurance Fund Equity Distributions
12 CFR Part 741

RIN 3133-AE77

Dear Mr. Poliquin:

On behalf of the MD|DC Credit Union Association (MD|DC CUA) and the 94 member credit unions that provide cooperative financial services to over 2.1 million consumers in the Maryland and Washington DC regions, I am pleased to offer comments on the National Credit Union Administration's proposed closure of the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) and Setting the Share Insurance Fund Normal Operating Level, as well as changes to the rules governing the operations of the National Credit Union Share Insurance Fund (NCUSIF), 12 CFR Part 741.

As a starting point, MD|DC CUA supports NCUA's efforts to improve transparency and efficiency in the operation of the NCUSIF. The proposed merger of the TCCUSF into the NCUSIF represents a prudent response to changed economic and financial circumstances surrounding the two federal funds, and we commend your work to effect this restructuring in a way that is beneficial to all involved parties.

Additionally, MD|DC CUA appreciates the fact that you are soliciting comments on this proposal. As the possible combination of the two Funds is not in fact a formal rulemaking, and does not automatically require a formal comment period, we understand that NCUA is going the extra mile to gain perspectives from credit unions. MD|DC CUA commends NCUA for this approach.

NCUA stated in its July Board Action Bulletin that it is interested in comments whether to:

- Close the Stabilization Fund in 2017, close it at some future date, or wait until it is currently scheduled to close in 2021.
- Set the normal operating level based on the Share Insurance Fund's ability to withstand a moderate recession or set the level based on the Share Insurance Fund's ability to withstand a severe recession.

- Base the approach to setting the normal operating level on preventing the equity ratio from declining below 1.20 percent or some other higher minimum level.

Also, NCUA says it is seeking comment on a notice of proposed rulemaking for Section 741.1 of NCUA's Regulations regarding Share Insurance Fund Equity Distributions.

In an effort to elicit comments and provide useful input to NCUA, MDDCCUA conducted a survey of its members. Here is commentary based on those results:

Stabilization Fund closure

Our unanimous view is that the TCCUSF should be closed in 2017. There is no financial, legal, or policy reason to maintain the Fund's operation; as the NCUA Board has noted, the Fund has fulfilled its purpose in the way contemplated when it was created in 2009. Both credit unions and NCUA would benefit from the simplified and streamlined operations of a single Fund, the NCUSIF.

While we do not in any way recommend a rushed process, MD|DC CUA sees value in NCUA moving forward as soon as is practical and appropriate. From our perspective, significant due diligence has already been performed by NCUA as a prelude to this proposal being issued, and we encourage you to continue deliberate progress toward the eventual goal of closing the Fund.

Credit unions in Maryland and the District of Columbia generally prefer that NCUA leave the Normal Operating Level at 1.30 or lower (down to the statutory minimum set at 1.20). Based on the observation that higher levels encourage operational inefficiency at a credit union and could actually increase moral hazard, MD|DC CUA recommends that NCUA assess premiums **only as needed in the future**, per current practice.

Additionally, we note that the proposed 1.39 is based on conjecture and forecasting supplied by the Federal Reserve. While we do not intend to denigrate the economic projections used in these models, we do note that a 1.39 Normal Operating Level would be a real, actual number that impacts credit union balance sheets and our member pocketbooks; it is not theoretical. MD|DC CUA respectfully but firmly asks that NCUA reconsider the real-world impact of the higher operating level, and instead opt to continue premium assessment practices when necessary.

Normal Operating Level reset

MD|DC CUA also strongly recommends that NCUA set a specific time frame for reassessment of the Normal Operating Level. It is important that this reassessment occur before closing the TCCUSF, so that both credit unions and NCUA have a tangible and visible benchmark for planning purposes. Furthermore, there is no reason why this evaluation by NCUA cannot occur before year-end 2017; for reasons identical to those given above concerning the closure of the TCCUSF, we recommend continued emphasis by NCUA on this issue that results in a timely resolution.

Share Insurance Fund Equity Distributions

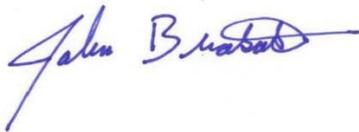
NCUA is seeking guidance on whether to employ an "average of insured share balances reported during the year's quarterly call reports", or "the year-end balance as of Dec. 31 of that year." MD|DC CUA cannot recommend either approach without seeing actual numbers. We instead suggest that NCUA provide a more transparent framework through which credit unions can better evaluate the options, based upon data and statistical models. MD|DC CUA would also caution against any method that causes a credit union to deliberately reduce assets or otherwise manage its balance sheet in order to meet a regulatory target. The sole emphasis for a credit union should be member benefit, and we encourage NCUA to keep this in mind as a principal consideration as you formulate policy in this regard.

The NCUA's proposed rule would add a temporary provision governing equity distributions related to the Corporate System Resolution Program. Two options are proposed: first-in, first-out: distributions would be based on the total dollar amount of corporate assessments paid by the credit union; last-in, first-out: distributions would be based on the total dollar amount of premiums paid by the credit union. Similar to the previous issue regarding balances, MD|DC CUA does not provide a specific recommendation. We do, however, encourage NCUA to place an emphasis on transparency, practicality and fairness. MD|DC CUA suggests avoiding a policy that explicitly favors credit unions of a certain asset size, or penalizes credit unions that have not experienced asset growth.

As a final comment, MD|DC CUA suggests that NCUA make every effort to maximize the timely distribution of TCCUSF equity, which you estimate to be \$1.9 billion following recognition of legal recoveries. Credit unions paid their assessments immediately, during a time of economic distress when such payments were difficult and adversely impacted the ability of some credit union to serve their members as completely as desired. The remaining excess balances should be disbursed as soon as possible to the benefit of the 108 billion consumers served by credit unions, and not remain on the books of our federal insurance fund following the conclusion of the proposed merger.

Thank you for the opportunity to express our views to the NCUA. Please do not hesitate to contact me at 443.325.0774 or jbratsakis@mddccua.org should you have any questions.

Sincerely,



John Bratsakis
President/CEO
MD|DC Credit Union Association