FIRST SOURCE
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September 4, 2017

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

Dear Mr. Poliquin:

Re: Comments on NCUA's Proposal to close the Stabilization Fund and increase the Share Insurance Fund Normal Operating Level

Thank you for the opportunity to provide comment on NCUA's proposal to close the Temporary Corporate Credit Union Stabilization Fund and merge the remaining assets and liabilities into the National Credit Union Share Insurance Fund. On behalf of First Source Federal Credit Union's Board of Directors and our 47,000 plus members, I am writing to you to share our thoughts on the proposed action.

First, we applaud NCUA's efforts to protect the Share Insurance Fund during the corporate credit union crisis and economic recession nearly 10-years ago by creating the Temporary Corporate Credit Union Stabilization Fund. We are very concerned, however, about NCUA's proposal to increase the Normal Operating Level from 1.30% to 1.39%.

Understanding that the proposal to merge the Stabilization Fund into the Share Insurance Fund (SIF) is a complicated one we appreciate NCUA's desire to provide an early dividend to federally-insured credit unions. Every dollar that can be returned to credit unions means more dollars available for the industry to invest in Main Street, USA and assisting our members in achieving their financial dreams and objectives.

First Source desired the industry to have a healthy Share Insurance Fund, and while we would welcome an early dividend distribution, we are adamantly opposed to any increase in the Normal Operating Level as we believe the assumptions behind such a move are erroneous.

The four primary factors that drive changes to the equity ratio are insured share growth, investment yield, insurance losses and operating expenses. We have historically observed, with the exception of NCUA's operating budget increases, these factors change slowly over time and we have witnessed little change in the equity ratio from one year to the next.

NCUA has stated that the proposed increase in the Normal Operating Level to 1.39% will help the SIF to withstand a moderate recession without the equity ratio falling below the statutory requirement of 1.20%. The agency appears to assume that a moderate recession would cause the NCUSIF to suffer insurance losses over the next five-years that would exceed the losses the share fund saw from bailing out natural-person credit unions in the past nine years, including during the financial crisis of the Great Recession.

We would maintain that despite corporate credit union failures, the credit union industry weathered the worst economic downturn in century extremely well and NCUA has already taken steps to ensure corporate credit unions do not repeat those failures in the future.

There is no provision in NCUA's proposal to unwind the increase in the NOL. Our concern about setting the Normal Operating Level at a higher percentage is that the NOL will never be reset to the current 1.30% level.

We would urge NCUA to return as much as possible to federally-insured credit unions without increasing the Normal Operating Level, even if that means postponing distribution until the currently scheduled closure date of the Stabilization Fund in 2021.

If the NCUA Board decides to proceed with merging the funds and increasing the Normal Operating Level, we would encourage NCUA to ensure that the concept is even more aggressively vetted and the industry is provided with more empirical evidence to support such an increase.

Thank you for the opportunity to comment on these important issues.

Very truly yours,

Michael J. Parsons
Chief Executive Officer