



Indiana Credit Union League

The association of Indiana credit unions

February 23, 2017

The Honorable J. Mark McWatters
Acting Board Chairman

The Honorable Rick Metsger
Board Member

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Acting Chairman McWatters and Board Member Metsger,

I am writing as a follow up to my earlier letter sent to you in early December regarding the projected premium range of 3 to 6 basis points for the National Credit Union Share Insurance Fund (NCUSIF) for 2017, as well as to explore the availability for NCUA to begin refunding excess funds in the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) to credit unions. We appreciate the information shared in December by the NCUA Board regarding these two funds. We also want to recognize the efforts of NCUA to establish the TCCUSF and to pursue financial settlements that have increased the level of excess funds.

We are encouraged by the continued improvement of the TCCUSF. We also appreciate the further explanation of the steps required for NCUA to begin making any distributions to credit unions of refunded assessments or written down corporate capital. After reviewing the information shared with the NCUA Board by staff at the December board meeting, and additional analysis by other entities such as CUNA, we want to reinforce the points made in our prior letter and emphasize our view that refunds of TCCUSF funds to credit unions should begin at the earliest possible date.

As it relates to the NCUSIF premium, we encourage NCUA to make any premium decision as late in 2017 as possible. We believe that NCUA should work with the credit union system to analyze and move forward on merging the TCCUSF into the NCUSIF. The influx of capital into the NCUSIF would eliminate any need for credit unions to pay a premium since the equity ratio of the fund would increase well above the 1.30% normal operating level. It is estimated that the equity ratio would increase to 1.40% through the combination based on funds still residing in the TCCUSF at this time. That projected level is based on the latest NCUSIF performance estimates provided by NCUA. The combination of funds would support NCUA paying a dividend to credit unions as the first distribution of excess TCCUSF assessments in the near term and well before the 2021 date that has been mentioned previously by NCUA for refunds to credit unions. Our understanding is that any NCUSIF ratio over 1.30% triggers a dividend distributed to credit unions. Should NCUA determine that merging the two funds is not feasible in 2017, we still strongly believe that a premium is unnecessary this year given the anticipated influx of capital that would occur when the funds are merged. The NCUSIF equity ratio is not forecast to drop below 1.20% before 2021, which indicates that the strength of the NCUSIF is sufficient to forego any premium this year.