NAFCU

3138 10th Street North
Arlington, VA 22201-2149
703.842.2215 | 800.336.4644
f: 703.522.2734
dberger@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

B. Dan Berger
President & Chief Executive Officer

January 9, 2017

The Honorable Rick Metsger, Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: National Credit Union Share Insurance Fund Premium

Dear Chairman Metsger:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally-insured credit unions, I would like to thank you for your prompt response to Chairman Duffy's December 13, 2016 letter, which answered several questions regarding the performance of the National Credit Union Share Insurance Fund (NCUSIF) and the likelihood of a premium charge in 2017. Your dedication to publicly discussing this matter in a transparent and collaborative manner continues to be appreciated by all industry stakeholders. However, NAFCU continues to strongly urge the agency to reconsider whether a 2017 premium is necessary, and we restate our call for the National Credit Union Administration (NCUA) to exhaust all options prior to charging such a premium.

Premium Charge for 2017 is not statutorily-required

While it does appear that the equity ratio could approach the statutory-floor of 1.2 percent, such a scenario is far from certain. As such, NAFCU believes a premium should not be charged unless it is absolutely necessary, and only after all other options have been exhausted, such as more prudent management of the NCUSIF expenses and investment portfolio, or until the dissolution of the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) is complete.

Further, NAFCU remains concerned that the agency's stated need of charging a premium of 3-6 basis points in 2017 is not supported by the findings in your letter. In particular, in the NCUA's own projections, the equity ratio would not fall below 1.2 percent in 2017, even under the model's severely adverse scenario. Under the *Federal Credit Union Act*, while the NCUA Board is permitted to charge a premium as a policy decision, the agency is not statutorily-required to assess a premium unless the NCUSIF's equity ratio falls below 1.2 percent.

An Unbudgeted Premium Charge will have Far-Reaching Effects

Finally, your letter notes that NCUA provided an estimated NCUSIF premium at the November 2016 Board meeting so that credit unions could account for such a charge in their 2017 budget. While the intention of providing advance notice of a premium is appreciated by the industry, unfortunately the agency's notice was not timely. By the time the Board met on November 17, 2016, a large majority of federally-insured credit unions had already set and received board-approval for their 2017 budgets. Thus, despite good intentions, the impact of the advance notice provided negligible benefit for 2017 budgeting purposes. Should the agency move forward with a 3-6 basis point premium charge, it would result in $300 million to $600 million of shifted resources from credit unions and their members to the government coffers.

Although the decision to charge a premium in 2017 is the Board's decision to make, doing so would have real effects on credit union growth, member dividends, and staff compensation. Such unbudgeted losses would have far-reaching ramifications. Again, we urge NCUA to strongly reconsider the need for a premium in 2017, and to exhaust all other options before deciding to make such a charge. Should you have any questions, please do not hesitate to contact me, or Carrie Hunt, Executive Vice President of Government Affairs and General Counsel at (703) 842-2234 or chunt@nafcu.org

Sincerely,

B. Dan Berger

CC: The Honorable J. Mark McWatters
Board Member