From:	Jason Peach
To:	_Regulatory Comments
Cc:	Gary Hinrichs
Subject:	Jason Peach, West Community Credit Union - Comments on Potential Voluntary Prepaid Assessments Program
Date:	Friday, June 03, 2011 5:30:19 PM

To whom it may concern:

We support the idea of pre-funding the assessment to lower our overall assessment costs, keeping in mind that that the savings on the assessment must be greater than some measurable opportunity cost on funds. While we understand that NCUA can only solicit voluntary participation in this program, we have a strong concern with the free-rider effect. We have heard a lot of concern from other credit unions as well and believe the program will be less effective than desired if the NCUA does not craft some additional parameters that diminish the free-rider effect.

Could the program include minimum participation amounts that are based on the asset-size of each credit union? This would assure that credit unions of equal size contribute the same amount if they choose to participate and still provide opportunity for small credit unions to contribute.

Could NCUA measure the benefit of the contributions that are made and provide a reduction in the assessment to only those who participate? For example, credit unions who do not participate would pay a higher amount, and credit unions who do participate would pay a lower amount. This does not make the program mandatory. Credit unions would have a choice to participate or not.

Could NCUA pay some small amount of interest (less than the cost of course of alternative borrowing sources) to credit unions that meet minimum funding requirements proportionate to asset size? This would slightly reduce the benefit of the program, but it would diminish the concern over the free rider effect.

In terms of the accounting treatment, the pre-funding should reside on the books as an asset and expense should occur as NCUA assessments are announced and realized.

We would suggest that NCUA clearly communicate the benefit of this first round of funding and consider doing a second round of funding within a short period of time if the $2.94 billion needed is not met in the first round. This might allow some credit unions who remain “on the fence” to then jump in and help contribute in reducing the 2012 assessments.

Thanks for your time and consideration.

Respectfully,

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