From:	Beverley Rutherford
To:	_Regulatory Comments
Cc:	Beverley Rutherford; mdunn@cuna.coop
Subject:	VACU-Comments on Potential Voluntary Prepaid Assessments Program
Date:	Friday, June 17, 2011 4:05:20 PM

Thank you for the opportunity to comment on your plan for voluntary prepayment of corporate credit union stabilization fund assessments. I am responding on behalf of a state chartered credit union located in Virginia with over 2 billion in assets and over 200,000 members. After review of the plan, we have the following comments for your consideration:

- If this plan is fully participated in by the industry, the maximum benefit to an individual credit union would be approximately 15 bps on the net worth ratio for years 2011 and 2012. It seems that there would actually be few credit unions for which this would even make a Prompt Corrective Action (PCA) category difference. So in lieu of this program we feel that NCUA should use its regulatory authority when examining those credit unions that are near PCA thresholds to delay additional PCA procedures. In 2013 they could then be reevaluated (with the PCA requirements enforced) if they are not generating sufficient earnings to lift their net worth ratio to the next threshold. In other words, if the amount of premium related to providing NCUA's needed liquidity forces the credit union below a PCA net worth threshold, give them additional time to reach the threshold if their situation does not appear to be deteriorating further. This approach would seemingly take far fewer resources from NCUA than implementing this program.
- If the program does move forward, the minimum should be much higher than the $300 million in the original proposal – at a minimum, $1 billion. The program needs to make a meaningful reduction in the 2011 expense for it to be worthwhile for the participating credit unions and to justify the costs to administer.
- NCUA should look at any way that they can find to compensate credit unions who participate with at least a nominal rate of interest (ideally variable to compensate for potential rising interest rates). This helps somewhat to offset the "free rider" situation.
- If more funds are pledged than are needed to achieve the maximum reduction in expense, we feel that the final level of commitments should be adjusted downward. These adjustments could be made pro-rata based on the pledges made by each credit union (i.e. each credit union would fund less than they had committed to).
- From a purely operational standpoint, the requirement to use pay.gov automated debit to pay for the prepayment amount is a negative to those credit unions that prefer to pay by check. One reason is that pay.gov does not allow for GL debits and one must route this through a checking account. For credit unions that clear directly with the Federal Reserve, this can mean an extra manual step.

Thank you again for considering our comments as you finalize this plan. Should you have any questions about our comments, please feel free to contact me.

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