

From: [Previn Solberg](#)
To: [Regulatory Comments](#)
Subject: Prepaid Assessments
Date: Friday, June 17, 2011 12:14:56 PM

To Whom It May Concern:

I am writing in response to the option to prepay future assessments. At our board meeting last night, our board approved moving forward with this option. However, we have some concerns that, unless adequate resolutions be introduced, may prevent us from participating in the program. We want to do what's best for the industry, but it must also be right for Financial One Credit Union as well.

- Perhaps the most significant concern we have is the "free-rider" affect. Although I can appreciate the legal limitations the NCUA has in not being able to require credit unions to prepay future assessments. Spreading the benefit of the program among all credit unions does not seem fair. I suggest that the NCUA offer **financial incentives only to participating credit unions**. Some incentives may be:
 - Guarantee reduced assessments in the future
 - Interest payments on the money given to the NCUA so it does not go on our books as a non-earning asset (interest would be paid to the Fed anyway, so why not give at least a portion of it back to the CUs that prepay)
- Allow us the option to withdraw at least a portion of our assessments in the future should rates rise.
- If interest rates do rise, any interest the NCUA pays on the prepaid amounts could be variable tied to an index in order to avoid the concern of interest rate risk of participating credit unions.
- Perhaps 50 bps cap is not enough. If CUs were allowed to pay more upfront for a greater long-term benefit (assuming one would exist), I expect many of us would be willing to do so.

At this moment, the NCUA's current proposal does not appear to provide enough benefit to entice credit unions to prepay. For Financial One, it appears that the most significant benefit is that we would not have to recognize as much expense in 2011, which is only short-term. Although that would help us greatly this year, I still don't believe that is enough to entice most credit unions to participate and it certainly does not provide a long-term solution to the overall problem. Financial One's management and board has committed to prepay our assessments so long as the program provides enough financial benefit for most credit unions to participate. At this time, those benefits do not seem to exist and we'd like to see the NCUA propose financial benefits that would entice credit unions to participate. Without those benefits, participations would likely be too low to make the current proposal work.

Thank you,

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