

**From:** [Patrick T. Conn](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Patrick Conn - Comments on Potential Voluntary Prepaid Assessments Program  
**Date:** Monday, June 20, 2011 1:07:09 PM

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Ms. Mary Rupp  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

RE: Comments on Potential Voluntary Prepaid Assessments Program

Dear Ms. Rupp,

I am the CEO at United 1st FCU in Georgia and I appreciate the opportunity to comment on NCUA's proposal to allow credit unions to prepay some of the Temporary Corporate Credit Union Stabilization Fund assessments on a voluntary basis. I commend NCUA for listening to credit union's concerns about the need to level out the corporate stabilization assessments, especially with the larger, front loaded early year assessments. I also thank the agency for proposing a program that appears to meet that need. I support the concept of prepaid assessments and offer the following recommendations in the hope of improving the effectiveness and to ensure that the program is attractive to all credit unions.

The Recommendations:

#### Minimum Commitment to Proceed

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To encourage broad participation and meaningful funding levels, NCUA has proposed to not proceed with the program if prepaid commitments from credit union total less than \$300 million. The thought is that this commitment level will give credit unions contemplating participation in the program some assurance that there will be sufficient aggregate participation to warrant the opportunity cost of making the advance before committing funds to it. I agree with those who have concerns that this does not address the "free rider" concern we have heard from numerous Georgia credit unions. Most of us would prefer the plan to be mandatory, but if that is not something NCUA feels they have the authority to require, then we would like to see the minimum participation threshold be increased.

I agree that NCUA should consider increasing the minimum commitment to at least \$1.5 billion, which would mean approximately a 1/2 participation from credit unions.

#### Increase Number of Credit Unions Who Could Participate in the Program

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Another concern expressed by Georgia credit unions dealt with why exclude smaller credit unions. With the \$10,000 prepayment amount, the cutoff point for participation is around \$3 million in assets. I would agree with the recommendation that credit unions of any size should be allowed to participate in the program if they so desire. NCUA should remove the minimum prepayment amount of \$10,000 and change their

approach to 10 basis points of insured shares regardless of a credit union's size. This approach would apply the same eligibility standard to all credit unions.

#### NCUA Should Pay Interest on the Prepaid Balance

Credit unions that participate in the program incur an opportunity cost of reduced interest income. In addition, every credit union will benefit from more level assessments over time and the possibility of lower assessments due to lower borrowing costs paid to Treasury if NCUA uses less of the Treasury line. Under the proposal, the interest rate received by credit unions for prepayments would be zero. The thought among credit unions is if those that participated in the program could earn a small rate of return, it might lessen the concern over the transfer of benefit from participants to non-participants.

NCUA has explained that the zero interest rate aspect of the program is allowed in the Federal Credit Union Act (§127) which allows the NCUA Board may accept interest free loans. Our league committee's read of this section of the Act permits the board to receive gifts, and we believe that a below-market interest rate may still be viewed as a gift. So I agree that NCUA should consider paying a reasonable, but slightly below market, return on these prepaid deposits made by participating CUs.

In closing, I appreciate the effort of NCUA in developing a proposal that creatively addresses the concerns of credit unions. I hope that NCUA incorporates some of these concerns and recommendations so that a more effective and attractive program is finalized.

Sincerely,

Patrick Conn



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