



June 17, 2011

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

Via e-mail: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

**RE: Potential Voluntary Prepaid Assessments Program**

Dear Ms. Rupp:

The New Jersey Credit Union League (NJCUL) is writing this letter to comment on the National Credit Union Administration's (NCUA) proposed program on voluntary prepayments of corporate credit union stabilization assessments owed to the Temporary Corporate Credit Union Stabilization Fund (TCCUSF), announced May 19, 2011. NJCUL represents the interests of 155 New Jersey credit unions and appreciates this opportunity to offer the following comments on the proposed voluntary prepayment plan program.

NJCUL appreciates NCUA's efforts in presenting a program that would allow credit unions that have expressed interest in prepaying their assessments to the TCCUSF to do so, as well as NCUA's actions to more evenly disburse the assessments through the proposed prepayment process. NJCUL strongly supports credit unions and feels that NCUA's actions of transparency are admirable, however, strongly feel that NCUA could have better prepared credit unions through increased communications leading up to its decision to propose this program. Credit unions are now being asked to make a decision as to whether or not to voluntarily participate in the program in a very short timeframe.

Our assessment is that the proposed program may pose a burden to small-sized credit unions to reach the minimum level of participation. Further, may even exclude some small-credit unions that do not meet the minimum asset threshold that may wish to participate in the program. NJCUL also feels that due to the "voluntary" nature of the program, because prepayments benefit 'all' credit unions regardless of participation level, NJCUL believes that the "free-rider" issue may dissuade some credit unions from participating. To promote participation

additional incentives may be in order to get credit unions to overwhelmingly agree to “volunteer” prepayments, such as allowing ‘participating’ credit unions to earn interest on reserved prepayments.

In essence, because credit unions will be making a no interest loan to the agency on a “voluntary” basis these credit unions may need additional reasons to agree to participate. New Jersey credit unions are also calling for a full and complete understanding of the proposed program. Based on the available analysis and assumptions that include being influenced by uncertain future economic conditions, more consideration needs to be given to those credit unions that do volunteer to enter the program and whose prepaid capital will be tied up for long periods of time.

Another suggestion is for NCUA to raise the 36 basis point cap and allow credit unions to make their own, informed decision, regarding the amount of prepayment they feel their institution can afford. NJCUL also recommends that consideration be given to participating credit unions’ ability to access their funds, with certain restrictions, given the possibility of a rising interest rate environment. Credit unions may be more readily willing to participate if they have the knowledge that those funds are tied up for a shorter term versus five years or even longer.

Finally, NCUA may need to take more time to explore other alternatives for funding the TCCUSF, including the avenue posed by Board Member Gigi Hyland at the NCUA Board’s Friday meeting. Board member Hyland questioned whether the National Credit Union Share Insurance Fund (NCUSIF) is over-reserved. This is important because any amount over the normal operating level of the Fund could be transferred to the TCCUSF, thereby reducing the total amount of assessments that credit unions owe to the Stabilization Fund.

Thank you for the opportunity to express the views of NJCUL regarding NCUA’s proposed prepayment program. If you have any questions about our comments, please do not hesitate to contact me at 1-800-792-8861.

Sincerely,



Paul Gentile  
President/CEO