



Credit Union National Association

cuna.org

BILL CHENEY
President & CEO

601 Pennsylvania Ave., NW | South Building, Suite 600 | Washington, DC 20004-2601 | **PHONE:** 202-508-6745 | **FAX:** 202-638-3389

July 1, 2011

The Honorable Debbie Matz
Chairman
National Credit Union Administration Board
1775 Duke Street
Alexandria, VA 22314

Dear Chairman Matz:

First of all, I want to thank you and the NCUA staff for working to develop a plan to allow credit unions to prepay a portion of their future TCCUSF assessments in order to reduce this year's TCCUSF assessment to a level closer to future likely average assessment rates.

However, following the announcement of the final version of the plan on Wednesday, I must report that we have heard nothing but extreme disappointment with the limit of the plan to only \$500 million in prepayments, resulting in only a 6.4 basis point reduction in this year's assessment. The overwhelming response from credit unions is that at that level, it's just not worth it. This response followed our generally positive description of the plan following its release.

I understand that greater prepayments in 2011 will lead to a smaller cash flow to the Fund in 2013 from that year's assessments, and this led to the Board's decision to limit the size of the prepayment plan. However, I believe liquidity planning by the agency is not making appropriate use of the \$6 billion line of credit from the Treasury department to the Fund. The agency is already reserving a liquidity cushion of \$500 million by not planning to borrow more than \$5.5 billion against the line. We believe that level of cushion is adequate. However, the agency's projections suggest the balance on this line will be reduced to only \$5 billion in 2013. If the agency would be willing to allow the balance at Treasury to remain as high as \$5.5 billion through 2013, the prepayment plan could be allowed to rise to \$1 billion, and this year's assessment could be reduced by as much as 13 bp.

I appreciate the fact that many other factors could change by 2013, requiring even more liquidity than current projections. By the same token, less liquidity could be required by then. It is basically impossible to accurately predict unknown contingencies that far in advance. However, if the prepayment plan were increased to \$1 billion, with a 13 bp reduction in this year's assessment rate, if currently unknown liquidity needs of more than \$500 million did arise in 2013, the 2013 assessment could be increased in response, a NCUSIF premium could be assessed, or a new prepayment plan could be implemented then.



PO Box 431 | Madison, WI 53701-0431 | 5710 Mineral Point Road | Madison, WI 53705-4454 | **PHONE:** 608-231-4000

The Honorable Debbie Matz
July 1, 2011
Page Two

I discussed this issue a few weeks ago with Treasury department officials, and none of them suggested any need to limit the use of the Treasury line of credit. Indeed they were fully supportive of using it to full advantage to even out assessment expenses for credit unions.

This is a particularly important issue for our smaller credit union members. Although net income is beginning to recover for larger credit unions, it is still very low at smaller credit unions with assets below \$100 million, only 30 bp in first quarter of 2011. Having a program that will attract the interest of a sufficient number of larger credit unions is necessary to make it beneficial to smaller credit unions, who could really benefit from a net income boost.

I urge the Board to amend the program to maintain the \$500 million minimum, but to allow prepayments of as much as \$1 billion, applying all prepayments to a reduction in 2011 TCCUSF assessments. Thank you for your consideration.

Best regards,

A handwritten signature in black ink, appearing to read "Bill Cheney", with a long, sweeping horizontal stroke extending to the right.

Bill Cheney
President and CEO