

Submitter Info

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Public Comments on Prompt Corrective Action; Risk-Based Capital : =====

Title: Prompt Corrective Action; Risk-Based Capital

FR Document Number: 2014-01702

RIN: 3133-AD77

Publish Date: 2/27/2014 12:00:00 AM

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Comment: 1. The proposed rule does not assess any risks to the credit union regarding the competitive market place-competition; growth; leadership experience; membership changes, and technology advances unless they plan to assess these areas differently. These risks will vary in degree from one credit union to another.

2. I know it is difficult to determine what the right amount of equity should be; however, having too much equity has an opportunity cost and can mean losing a competitive advantage. Excess equity can also cause a credit union to have a lower ROE.

3. I believe that because of what I have mentioned above the amount of required capital should be based per credit union-the one size fits all model does not fit here. Capital planning should be evaluated using a SWOT type analysis. The overall strategic equity goal should be evaluated annually and part of the credit unions strategic plan. Creating a equity plan takes into consideration all risks inherent to the credit union and allows for "a direct assessment of need" and removes the "more is better" approach and also shows the credit union what target they need to reach to make sure they are a sound institution. In my opinion this process gives the credit union more to work with than trying to reach the examiner required limit.

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