

**From:** [Kay Radloff](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Prompt Corrective Action Risk-Based Capital Comment Letter  
**Date:** Monday, May 12, 2014 6:10:07 PM

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Dear Secretary of the Board Poliquin,

I am writing on behalf of Avestar Credit Union which serves the communities surrounding Waterloo, WI. We have 3127 Members and \$19,634,417 in assets. Avestar appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Avestar according to asset size is not directly affected by the proposal. Avestar is however very concerned for other credit unions and for that reason we are submitting comments.

This new proposal is putting too much authority on an individual examiner. Under the proposal, an examiner would have the discretion to increase a credit union's individual risk-based capital requirements during an examination or supervisory assessment, based only on the examiner's subjective determination that the credit union needs additional capital.

The proposal attempts to compensate for concentration risk by increasing the risk weight for certain types of loans - including real estate and member business loans - based on their concentrations in a credit union's portfolio.

Avestar disagrees with this proposal for a number of reasons:

- MBLs
- Mortgage Loans
- Longer-term investments
- Consumer loans
- CUSOs Investments and Loans

The proposed concentration thresholds are so low that they would force credit unions to make choices based on compliance rather than safety and soundness or member service.

The risk weighting for member business loans (MBL) will deter credit unions from engaging in business lending. It seems to be a mixed message is being sent when the NCUA's advocacy for a higher MBL cap and in spite of how well credit unions have fared compared to banks during the recession.

The proposal ignores loan-to-value ratios or other underwriting criteria. A credit union that has never had a mortgage default should not be subject to the same loan concentration thresholds as a credit union with significant default history.

In closing I would like to ask that the implementation timeframe be lengthened to three to four years. Credit unions are already staggering under the pressures of all the new and modified regulations they are dealing with as well as the confines of building reserves only from retained earnings. More credit unions should not crumble just because of a short implementation timeframe of this new rule.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Kay Radloff  
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