



May 16, 2014

MAY21'14 PM 3:02 BOARD

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Poliquin:

In response to the Agency's proposed Risk-based Capital Regulation, I would like to point out some concerns we have with the risk weighting.

Mortgage Servicing Rights

We have a \$250m mortgage portfolio that we service for FNMA. As such, we currently adhere to FAS 133 ASC 815, requiring us to reflect the servicing rights at FMV on our balance sheet up to par. We are not allowed to reflect the FMV of the servicing rights if they are valued at a premium. Giving mortgage servicing assets a 150% Risk-Weighting is artificially high and excessive.

CUSOs

CUSO investments are already limited to 5% of assets. There appears to be no rationale, behind the decision of setting the risk-weight at 250% for investments and 100% for loans. The 250% risk weight for investments seems to be arbitrary and doesn't reflect the actual risk of investing in CUSOs. The risk weighting for CUSO Investments should be no more than 100%.

Investments

Why is a 5year Gov't agency security riskier than a 5 year auto loan? The proposed Risk Base Capital rule doesn't even consider the credit risk associated with the loan. It could be 540 credit score. The proposed rule would unfairly penalize credit unions and shows a bias towards lending and against investments.

How can you only measure interest rate sensitivity on one side of the balance sheet? What if assets are perfectly matched with interest bearing liabilities? It would seem to me, that minimal interest rate risk exists.

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In closing, I hope you give serious consideration to our comments. Under the proposed Risk-Based Guidelines many credit unions will be required to hold additional levels of capital. Credit unions continue to struggle in today's economic environment. Building capital has been increasingly challenging. Under our current regulations credit unions can only build capital levels through net earnings. Net interest margins continue to be compressed, which in turn are squeezing credit unions ROA and Capital/ Asset ratios.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Winkler', with a long horizontal flourish extending to the right.

Wayne Winkler
President/CEO
