

From: Ajskorpen@aol.com
To: [Regulatory Comments](#)
Subject: NCUA Risk-Based Capital Proposed Reg.
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The proposed regulation, with a large number of elements that must be taken into account along with a complicated, and possibly contentious set of risk factors to determine, promises to add expense to credit union operations. Additional expenses must be covered by the members in the form of lower interest paid on their deposits and higher interest rates on their loans. Because credit unions exist for and by their memberships, and not for investors or stockholders, their managers would not institute operational changes that are financially punitive to the members without clear evidence that there will be corresponding benefits.

Will there be benefits? There seems to be no empirical evidence that the proposed regulation will be beneficial to affected credit unions by improving financial soundness. The data show that during the period affected by recession, 2007 to 2013, losses suffered by the FDIC were more than \$2.00 per thousand dollars while NCUSIF losses, from credit unions employing their traditional criteria of financial soundness, were \$.26 per thousand dollars. The new regulation would seem to shift from a more successful to a less successful system.

Further, the new regulation is, by its definition, subjective. The use of subjective criteria in the evaluation of fiscal soundness of a financial institution seems out of place. It has been suggested that subjectivity in an examination can lead to abuse: perhaps, but it seems more likely that honest differences of opinion will arise between people of integrity acting in good faith. When these differences of opinion can have a negative influence on the status of a credit union and the reputations of its officers, a loss of trust will result. The relationship of examiners and examined does not have to be amicable, but if there is a lack of trust and respect the situation can be toxic and harmful to the credit union system.

I urge you to give careful consideration to the input provided on the proposed regulation. There will be sound alternative suggestions offered by qualified persons. In the context of a clear and concise articulation of the problem you seek to solve, these suggestions will lead to a better solution that address the shortcomings and provides more fairness.

I am Allan J. Skorpen, member of White Crown Federal Credit Union; Denver, Co.