



Western Cooperative CREDIT UNION

May 14, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Dear NCUA Board Members:

I am writing to provide Western Cooperative Credit Union's (Williston, North Dakota) comments on the proposed Risk Based Capital standards. Western Cooperative Credit Union (WCCU) is opposed to a number of the items in the regulation as currently proposed.

We are an agricultural based credit union with a low income designation. We were chartered to serve agriculture and that has been a significant part of our operations for 76 years. We have a community charter in Western North Dakota and are located in agricultural communities.

We are also one of the few financial institutions in our area that provides residential real estate loans to our members through many programs – rural development, first time homebuyers, FHA, VA, conventional, etc. While we do sell many of our real estate loans to the secondary market, we also hold some of those loans in our portfolio.

The regulation would have a significant impact on our ability to continue to serve our farmers and ranchers. We have traditionally been a leader in agricultural lending in our communities. We feel that we serve this market very well and have the capability to continue to do so. We have an extremely good record of lending in this area – with very few losses. In fact, in the last 10 years, we have only written off two agricultural loans. We are a \$333 million credit union. Two loans in 10 years is extremely low for a credit union of our size.

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We believe that there should be a distinction between commercial (business) loans and agricultural loans. These types of loans are very different and should be separated into different categories. We are an agricultural credit union and do very few commercial loans. Ag loans have consistently made up about 30% of our loan portfolio. With the current proposal, we could be forced to reduce our ag lending in a community that is very strong in agriculture. We offer a very competitive pricing on our ag loans. If we are required to reduce our lending in agriculture, we could be sending members away that have been lifelong members of our credit union.

We also provide a needed service in granting mortgage loans to our members. We do not hold a significant portion of real estate in our portfolio. However, with all of the changes being proposed with GSE reform, there is the potential that we may need to hold more of our real estate loans. When we hold loans, we set them up as variable or with a 5 year balloon in order to limit our interest rate risk. We also limit our loan to value. The new proposal would adversely affect us because it only considers loans in the portfolio and none of the characteristics of the loan that prove it to be a very low risk.

WCCU also takes exception as to how the proposal treats CUSOs. We have several investments in CUSOs. They are well managed and provide additional services to our members that we, as a credit union, would be unable to provide. They also have provided income to our credit union each year. We fail to understand why ALL CUSOs would be treated the same. There are significant differences between types of CUSOs, sizes of investments, success of CUSOs, and how the CUSO supports a credit union.

We believe there should be some type of formula that further breaks out CUSOs rather than putting them all in one category at 250%. We also strongly feel that a 250% weighting is too extreme.

The proposal for treatment of investments is also of concern to WCCU. We are very methodical in how we place investments. We also utilize three separate investment firms for analysis and recommendations. Once we have discussed our portfolio with each of them, we make decisions as to how we should place our investments. We do have investments that have longer maturities. However, this was not a spur of the moment decision to place them there. They fit our plan under ALM, interest rate risk, and liquidity planning. These are not risky investments.

The NCUA is not considering the type of investments when setting the risk levels. Why should investments with maturities less than 1 year that are fully insured by the government be risk rated at any level? These are investments maturing in a year or less and fully insured. A credit union could invest in very risky type investments - but as long as the maturity is short, they are not rated at a higher risk level than a longer term fully insured (completely safe) investment. That methodology seems flawed in our opinion.

We believe that investments should not be weighted more heavily just based on maturity. The types of investments should be considered and the credit union planning, ALM, and analysis of the entire portfolio needs to be taken into account.

Western Cooperative CU is currently considered well capitalized. Under the new proposal, we would still be considered well capitalized but with a very small margin as compared to the current calculation.

The time frame for implementation is also extremely short. Credit unions are currently under increasing pressure to comply with all of the new rules, regulations, requirements, etc. that are being implemented through CFPB, Dodd-Frank, and other federal regulations. To require compliance in such a short time frame is unreasonable. Even NCUA was requesting that CFPB lengthen their compliance time frame for the mortgage requirements. We feel that NCUA should understand the need to have more time for implementation.

We understand that there is reasonable cause for the need to make changes. However, the proposal should not be a "one size fits all". The proposal should not be so restrictive that credit unions are forced to stop lending programs that they were chartered for – in our case, agricultural loans.

It should also not be written to the extreme because of a few credit unions that violated rules and regulations in the past. Those credit unions would have failed whether this new risk based proposal was in place or not. They were operating in an unsafe and unsound manner and ignoring the regulations. Please do not write the proposal for the 5% of credit unions that do not feel they need to follow the rules. Write a reasonable proposal for the other 95% that want to be able to continue serving their members.

Thank you for this opportunity to share our comments.

Sincerely,

A handwritten signature in blue ink that reads "Melanie Stillwell". The signature is written in a cursive, flowing style.

Melanie Stillwell, President CEO
Board of Directors
Western Cooperative Credit Union
Williston, North Dakota
701-572-4000