

*So much more than money.*



Post Office Box 7600  
Glendale, AZ 85312-7600  
602.631.3200  
928.778.7156  
800.621.0287  
[www.cuwest.org](http://www.cuwest.org)

May 27, 2014

Gerald Poliquin, Secretary to the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

**Re: Proposed Rule – Prompt Corrective Action – Risk-Based Capital (RIN 3133-AD77)**

Dear Mr. Poliquin ,

Thank you for the opportunity to comment on the NCUA's proposed Risk-Based Capital rule.

While I do agree that the current capital framework could be strengthened, the NCUA needs to take a serious second look at the risk weightings in the proposed rule. I understand that this new rule has been quite the task as there are so many credit unions which are all unique in their own sizes and demographics. It is difficult to focus in on a "one size fits all" rule that is reasonable for every credit union to adhere to. I also understand that the NCUA's job is to ensure safety and soundness among all of its insured institutions; however, without taking on any risk, it will be difficult to keep the doors open in this or any environment. My main concerns are outlined below.

I do not comprehend the rationale why Treasuries and NCUA Guaranteed Notes should have a zero risk rating. This could adversely influence credit unions to invest in these instruments in order to increase their capital ratio, however net interest margin could suffer due to the lower yields. Credit Unions may then reach for longer terms to increase yield which could be devastating if and when interest rate rise. The interest rate risk associated with the potential outcomes of investing in these instruments is not properly reflected with a zero risk rating. There are other investment options that have minimal risk that would better the credit union in the long run.

I also feel that determining a risk weigh by looking exclusively at Weighted Average Life (WAL) could be recipe for disaster for some credit unions. With so much emphasis on WAL, a credit union could ignore other significant indicators on whether or not an investment is sound. WAL can change significantly in different rate environments which could have an adverse effect on a credit union's investment portfolio if rates were to rise.

In my opinion, one of the most absurd risk ratings is the 250% rating assigned to investment in CUSO's. The most risk a credit union could ever take with a CUSO

*So much more than money.*



Post Office Box 7600  
Glendale, AZ 85312-7600  
602.631.3200  
928.778.7156  
800.621.0287  
[www.cuwest.org](http://www.cuwest.org)

investment is 100% of that investment. It does not make sense to punish a credit union at a rate of two and a half times its investment in a CUSO when that investment is designed to provide better service to its members. The CUSO relationships we have provide services to our members at a far better rate than we could provide the service to our member in house.

Finally, Credit Union West retains mortgage servicing rights to maintain a relationship and ensure a high level of service to our member even though their mortgage loan has been sold. It is not reasonable to penalize a credit union with a 250% risk rating for retaining mortgage servicing rights to help maintain a relationship with our member. If valued reasonably, this has little to no risk associated with it.

In summary, I believe that the capital framework can be strengthened but this should not be taken lightly. I believe the NCUA should have taken more consideration in extending the comment deadline as this ruling will greatly impact how credit unions evaluate their business strategies. The NCUA should not force the issue and finalize the rule without taking a broader look at the long term impact that the rule could have.

I would welcome and questions or concerns you may have. I can be contacted at 602-631-3231 or at [clay.bittinger@cuwest.org](mailto:clay.bittinger@cuwest.org).

Sincerely,

A handwritten signature in blue ink that reads "Clay Bittinger".

Clay Bittinger  
CFO