



IDAHO CREDIT UNION LEAGUE  
AND AFFILIATES

May 28, 2014

Mr. Gerard Poliquin  
Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3482

Via E-Mail: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Re: Proposed Rule on Prompt Corrective Action; Risk-Based Capital

Dear Mr. Poliquin:

On behalf of our member credit unions, the Idaho Credit Union League is pleased to comment upon the NCUA's risk-based capital proposal. The proposed rule would impose new, stringent risk-based capital (RBC) standards for all credit unions deemed as complex by NCUA, which it defines as having more than \$50 million in assets. We oppose the proposal as currently written as explained below and urge the Board to withdraw the proposal.

#### Authority to Impose a Higher Requirement

The Federal Credit Union Act requires NCUA to establish a risk-based net worth system to address material risks for which the net worth ratio at the adequately capitalized level may not provide adequate protection. Under the proposal, NCUA would impose a RBC requirement of 10.5% on well-capitalized credit unions, which exceeds the 8% requirement for adequately-capitalized credit unions. NCUA lacks the authority to establish a higher RBC requirement for well-capitalized credit unions than that imposed on adequately-capitalized credit unions.

#### Definition of Complex Credit Union

Under the proposal, a complex credit union is defined as having more than \$50 million in assets. This definition is inadequate as it fails to adhere to the Federal Credit Union Act's direction that NCUA develop a risk-based net worth system based on a credit union's portfolio of assets and liabilities. Simply declaring that a credit union is complex once it crosses over \$50 million in assets imposes a one size fits all approach to what should be a more individualized and nuanced analysis.

Furthermore, federal agencies, such as the Small Business Administration, define small financial institutions as those with up to \$500 million in assets. Federal bank regulators frequently use \$10 billion in defining small community banks. We urge NCUA to reconsider this definition.

#### Proposed Risk Weights

Our member credit unions and many others have identified significant issues with the proposed risk weights. In particular, the risk weights assigned to CUSO investments, long-term investments, unfunded loan commitments, and member business loans are of concern. The proposed weights for these fail to reflect the actual risks, create disincentives for credit unions with the result that they will not offer various products important to members, and, in some cases, exceed those imposed on banks under the Basel system of capital regulations. We strongly encourage NCUA to re-evaluate the proposed risk weights.

#### Individual Minimum Capital Requirement

The proposal contains a provision enabling examiners to impose additional capital requirements on individual credit unions. NCUA has indicated that such an action would require NCUA Board approval; however, it is not explicitly stated. We oppose this provision and urge that it be withdrawn.

#### Compliance Date

Under the proposal, credit unions must comply with the final rule within 18 months of issuance. We believe that 18 months is inadequate. Credit unions will need significantly more time to make adjustments to their investment portfolios and to institute changes in their data processing systems. Additional time would also be in keeping with the five years allotted to banks to come into compliance under Basel III. We, therefore, encourage NCUA to set a compliance date of five years after issuance.

For these reasons, the Idaho Credit Union League urges the Board to withdraw the proposal. Thank you for this opportunity to present our views.

Sincerely,

Kathy N. Thomson  
President/CEO