



May 16, 2014

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

Via e-mail: regcomments@ncua.gov

RE: Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital.

Dear Mr. Poliquin:

On behalf of the 24,000 members of Aspire Federal Credit Union we appreciate the opportunity to submit comments on NCUA's proposed rule **Prompt Corrective Action – Risk Based Capital** (RBC). While we agree that updating the risk based approach to capital would be beneficial to the credit union movement, we don't agree with the approach proposed by NCUA. We have a number of concerns, which we will discuss here.

Threshold Too Low

The NCUA is proposing that this RBC proposal apply to any credit union over fifty million dollars in total assets. If a principal of this proposed rule is to make the rule more consistent with the regulatory risk-based capital measures used by the FDIC, Federal Reserve and OCC, then this threshold should be increased. The genesis of this proposal is rooted in the implementation of Basel III and Dodd-Frank. Basel III raises the minimum capital standards of systemically significant banking organizations - those with more than \$50 billion in total assets – that pose the most risk to our financial system. This is a very small number of institutions relative to the total number of banks in the United States. Yet NCUA is requiring that a very large number of very small institutions comply with its proposed regulation. First, I fail to see the systemic importance of a \$50mm or even a \$250mm credit union in the U.S. banking system. Second, the vast majority of the credit unions impacted by this proposal are far from being 'complex'. With all due respect to our industry, we operate under a very regimented, limiting, controlled regulatory environment that precludes us from becoming complex, or even growing too rapidly. This proposal seems to be a solution in search of a problem, or at a minimum regulatory overreach.

Member Business Lending

We would like a better explanation as to why NCUA is risk weighting credit union-originated business loans at higher levels than similar loans originated by banks. The implication is that credit union member business loans are more risky than bank-originated business loans. Judging by the losses incurred by credit union originations vs. banks I would conclude that credit union member business loans were far less risky than bank originated loans. If one of NCUA's stated goals is to make our rules more consistent with bank rules then this section's onerous requirements should be dialed back.

Credit Union Service Organizations

NCUA is unfairly singling out CUSOs and applying a 250% risk weighting to all CUSO investments. Aspire has investments in a number of CUSOs that focus on a variety of areas such as lending services, collaboration/expense reduction, payments and member investment services. To put all CUSOs, regardless of risk profile, into the same bucket is unwarranted and does not properly account for the levels of risk inherent in each.

Examiner Discretion to Change Risk Ratings

Proposed section 702.105(c) is troubling in that NCUA would assume additional authority to impose higher capital requirements on individual credit unions that could exceed even well capitalized level requirements. Unlike under the existing statutory net worth rules known as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt corrective action imposed by NCUA if the agency establishes its authority to use "judgment" on a credit union-by-credit union basis to make changes to risk ratings. This section of the proposed rule opens the door to inconsistent and potentially arbitrary application of the intended rules. In addition, it would significantly diminish the responsibility of boards and management to make critical financial judgments, determine the strategic direction of the credit union, and oversee policy. Our recommendation is to remove section 702.105(c) from the proposed rule entirely

NCUSIF 1% Deposit to be ignored

NCUA's requirement that the National Credit Union Share Insurance Fund 1% deposit be ignored in the risk-based capital calculation should be reconsidered. The justification for removing the deposit is unclear, yet quite significant.

Supplemental Capital

This proposal, as written, would have a crippling effect on our credit unions ability to grow and provide new services to our members. Supplemental capital authority would help offset some of the concerns over how this proposal would stifle our growth. NCUA should call on the Congress to pass legislation permitting NCUA to design a supplemental capital program that would support credit union growth while protecting the NCUSIF.

As a general theme, NCUA has stated that this proposal seeks to incorporate lessons learned from prior failures and better account for risks not addressed by the current rule. We have trouble correlating the losses the NCUSIF has suffered with the risk ratings proposed in this regulation; they seem arbitrary and baseless, not rooted in actual losses incurred by the Fund.

We would appreciate a further, more substantive dialog with the credit union industry on this topic so that we can come to a mutually beneficial outcome. Thank you for the opportunity to comment on the proposed rule. Should you have any questions feel free to contact me at thomas.oshea@aspirefcu.org or 732-388-0477 extension 8117.

Very Truly Yours,

A handwritten signature in black ink, appearing to read 'T. Shea', with a long horizontal flourish extending to the right.

Thomas J. Shea
President/CEO

CC: Deborah Matz, Chairman
Michael Fryzel, Board Member
Richard Metsger, Board Member