



March 18, 2015

To: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

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

Re: Comments on Proposed Rule: Risk Based Capital

Dear Secretary of the Board Poliquin,

I am writing on behalf of Delta Community Credit Union. We have over 313,000 members and \$4.8 billion in assets. I appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its second proposed rule, Prompt Corrective Action - Risk-Based Capital (RBC).

We would like to thank the NCUA for the many improvements in the revised proposed rule such as lowering the requirement for well-capitalized credit unions from 10.5% to 10.0%, the deferred implementation date, and modifying the risk weights for most asset types. However, we have concerns with the revised proposed rule related to the uncertainty of supplemental capital and interest rate risk.

Our opinion is that supplemental capital must be addressed before any regulation on risk-based capital is made effective, and that the effective date should be tied to enactment of a supplemental capital regulation that will allow credit unions the option of building capital by issuing subordinated debt. This will allow a credit union to remain a cooperative, with a single vote for every depositor, regardless of capital structure. Supplemental capital will further protect the share insurance fund.

We believe that removing the interest rate risk component from the risk weights was appropriate. Our Credit Union's Board of Directors and Management are making complex decisions about the composition of our balance sheet and capital adequacy based on the needs of our unique membership and local community. These decisions made every day by Delta Community Credit Union are driven by diverse business priorities, pricing and growth objectives as well as responses to unique local needs. We believe our decisions have resulted in a strategy which enhances the balance sheet's overall strength and soundness, as compared to the strategy that would be followed should a single approach to interest rate risk management be implemented industry-wide. Therefore, we



would like to take this opportunity to respond to the NCUA's request for comments on alternative approaches to account for interest rate risk. In previous rules and guidance, the NCUA has emphasized the use of institution-specific assumptions and policy limits and we feel that attempting to evaluate changes in net economic value (NEV) in a uniform manner for all covered credit unions would be difficult, and we urge the NCUA to reconsider. As Delta Community Credit Union has grown in size and complexity, we have made significant investments in staffing and technology in order to assist in interest rate risk management. It is our opinion that the current rule on Interest Rate Risk Policy and Program issued by the NCUA in 2012 is sufficient to address concerns with how credit unions manage interest rate risk, and that the NCUA should provide further guidance rather than issue additional regulations. We would also like to note that the proposed rule only mentions NEV to measure interest rate risk. Our belief is that an effective interest rate risk program includes NEV, but also uses income simulation and liquidity analysis as part of the decision making process.

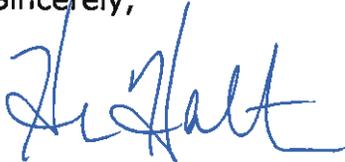
While the NCUA did make revisions to the CUSO section of the revised rule, we believe the 150% weighting on unconsolidated CUSOs will stifle risk sharing and collaboration, the very reason CUSOs exist. The CUSO risk weighting as proposed is not justified when the true nature of CUSO investment is considered. And, the weighting is arbitrary for several reasons, including the fact that there is no differentiation based on the business purpose of the CUSO, the ownership structure of the CUSO (single or multiple owners) or the corporate structure of the CUSO. Additionally, the NCUA has other adequate and more efficient means to address concerns it may have regarding the various risks that may be presented by the business operations of CUSOs themselves. For example, NCUA recently finalized various amendments to Parts 712 and 714 of NCUA Rules "to increase transparency and address certain safety and soundness concerns." These amendments, among other things, require all CUSOs to annually provide basic profile information to NCUA and the appropriate state supervisory authority and require CUSOs engaging in certain complex or high-risk activities to additionally report more detailed information, including audited financial statements and general customer information. Because the NCUA has employed alternative means to limit a credit union's exposure to loss from an investment in a CUSO and because the NCUA has effective oversight of CUSOs generally, we recommend that NCUA remove any risk weighting above 100% for CUSO investments.

Our final comment relates to the NCUA's decision to leave the treatment of the NCUSIF deposit unchanged. We believe the NCUSIF deposit is a valid asset. It can be refunded for a few reasons (e.g., converting to bank or savings institution charter, credit union elects private insurance instead of NCUA, voluntary liquidation). It provides an additional buffer against NCUSIF losses in

addition to a credit union's capital if a credit union fails. If a credit union can include the 1% into a new charter or if the 1% is available for any insolvency of the credit union, we believe it should be included as part of our risk profile and analysis. We recommend not excluding the NCUSIF deposit from the calculation of RBC ratios.

Thank you for the opportunity to comment on the proposed rule. Please let us know if you have any questions or comments regarding this letter, or need additional information to clarify Delta Community Credit Union's perspective on the proposed rule.

Sincerely,

A handwritten signature in blue ink, appearing to read "H. Halter".

Hank Halter  
Chief Executive Officer

cc: Delta Community Credit Union Board of Directors  
Delta Community Credit Union Supervisory Committee