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April 20, 2015
Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Comments submitted via Federal eRulemaking Portal: www.regulations.gov

RE: Prompt Corrective Action - Risk-Based Capital, second proposed rule;

RIN 3133-AD77

Dear Mr. Poliquin:

Please accept this correspondence as commentary concerning the National Credit Union Administration's (NCUA) second proposed rule to establish risk-based capital requirements for federally-insured credit unions. Central Minnesota Credit Union (CMCU) appreciates the opportunity to comment on the revised risk-based capital proposed rule and work collaboratively for the benefit of the credit union industry. CMCU serves over 55,000 members primarily in central Minnesota.

CMCU commented on the initial RBC proposal and would like to acknowledge NCUA's significant efforts in addressing the issues raised. Thank you for listening to and addressing many of our concerns.

We are supportive of the following improvements reflected in the second proposed rule:

- Raising the applicable "complex" credit union asset threshold to $100 million;
- Lowering the ratio requirement for well-capitalized credit unions from 10.5% to 10%;
- Extending the implementation period to Jan. 1, 2019;
- Removing the ALLL cap;
- Removing interest rate risk as a consideration factor;
- Diversifying and lowering many of the risk-weight categories.

There are still a number of areas that continue to present concern as follows.

As noted above we agree with raising the threshold for determination of a complex credit union to a higher threshold of $100 Million. We do not believe that asset size should be the sole determinant of complexity. When determining whether or not a credit union meets the definition of complex, NCUA should consider a credit union's comprehensive book of assets, including all loans, investments, and liabilities, as well as whether a credit union's operations are sufficiently diverse to warrant a "complex" designation.

The proposal requires a credit union that is subject to the regulation maintain a "comprehensive written strategy" for maintaining an appropriate level of capital. However, the regulation gives no guidance regarding the expectations for this plan. What are the components of a "comprehensive written strategy"? What are the possible consequences of an examiner determining that a credit union's comprehensive written strategy does not meet the requirements? We ask NCUA to provide more guidance in this area and elaborate on its expectations of credit unions.

As noted above, the modifications to the risk weights were a move in the right direction. We do believe additional adjustments are well founded.

- In a general sense we take exception to the use of concentration limits to create a higher risk weighting. We do not believe that volume alone, or volume as a percentage of the overall loan portfolio is an accurate indicator of risk. Qualitative criteria would be a logical approach to the determination of risk. NCUA should introduce qualitative elements, supported by statistical analysis of additional risk to replace the purely quantitative approach.

- For any area where the risk weightings are less favorable to those established for commercial banks, the thresholds for credit unions should be adjusted to eliminate the possibility of a competitive disadvantage.

- It does not seem reasonable that share secured loans and commercial loan balances secured by compensating balances should be risk weighted at 20%. This weighting seems unreasonably high. While accepting the argument that even share-secured loans may be uncollectible under certain circumstances, what evidence can NCUA show that supports a risk weighting of this magnitude? In the absence of such evidence we recommend a significant reduction or elimination of this risk weighting factor.

- Unfunded loan commitments should not be included in the calculation at currently proposed levels. CMCU has a loan portfolio that includes a significant level of agricultural loans, which include lines of credit and unfunded loan commitments. History tells us that, at any given point in time, there are significant levels of unfunded commitments, and in fact a significant amount of commitments that never get drawn. They are there for "just in case". It would be more appropriate to apply the risk weighting to the % of the portfolio that represents historically drawn %'s. In other words, if historically only 10% of loan commitments ever get funded, then only apply the risk weighting to 10% of the existing unfunded loan commitments. To do otherwise would be requiring capital to be held for loans that will never be funded.

In closing, we would like to thank you once again for the modifications made to the first proposal, and for your consideration of the modifications and guidance requested above.

If you have any questions about our comments, please do not hesitate to contact me at (320) 225-1703.

Sincerely,

Bernard N. Brixius
Chief Administrative Officer