

April 24, 2015

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Re: Risk Based Capital Proposal #2

Dear Mr. Poliquin:

This comment letter is regarding the risk based capital proposal by the NCUA. I wanted to commend the NCUA for listening to credit unions and reworking the first risk based capital proposal. We hope that with this second proposal the NCUA reconsiders the need to even have this new regulation as it is costly and not needed.

Credit unions have served their members well before during and after the last financial crisis and pose no real threat that needs to be controlled by this proposed regulation.

Removing the interest rate risk (IRR) from this proposed regulation was crucial, but NCUA has stated that there will be further IRR regulation forthcoming. Please consider that there already are current regulations that address IRR adequately. Please do not add to the regulatory burden that already faces credit unions today.

This proposal will hold credit unions to a higher level of capital based upon numerous risk weightings and definitions. Unfortunately this proposal also allows the NCUA to hold credit unions to even higher levels of capital than even this regulation states. I strongly oppose these provisions of the regulation and request that they be removed. Credit Unions should be allowed to determine their own risk tolerance within the regulatory framework.

Since credit unions are limited in their capital growth to simply increasing net income and decreasing assets, it makes sense that a capital regulation would include supplemental capital in the event that it becomes a legal possibility. This should be made a part of any capital regulation.

We are concerned about the definition of the Mortgage Partnership Finance (MPF) Program. As proposed, the definition could be construed as limiting the benefits of the risk based capital treatment only to those credit unions that service their MPF loans, but not those that choose to sell the loans servicing-released. Whether or not credit unions service their mortgage loans does

not alter their credit enhancement obligation in any way. We urge NCUA to remove the words, “and servicing them” from the definition of MPF Program. We also recommend adding language to clarify that the definition of the MPF Program does not apply to the Mortgage Purchase Program (MPP), a secondary market alternative offered by certain Federal Home Loan Banks that achieves credit enhancement by creating a contingent asset for the credit union participant, in contrast to the contingent liability obligation created under the MPF Program. Since the purpose of the risk based capital requirements for off-balance sheet activities is to ensure credit unions hold capital against recourse risk, and MPP loans do not have such risk, MPP loans should fall outside of the definition of the MPF Program.

In summation, this is an unnecessary regulation, it is costly and burdensome. Even with this regulation NCUA reserves the right to further increase capital requirements for credit unions, and this regulation does nothing to help credit unions during these difficult economic times to better serve their members. The FHLB programs noted above should be treated differently than the regulation proposes. Thank you for considering our point of view.

Sincerely,

Jim Pickus
Vice President, C&CCU