

From: [Brian Berrett](#)
To: [Regulatory Comments](#)
Subject: Brian Berrett - Comments on Proposed Rule: Risk-Based Capital
Date: Friday, April 24, 2015 12:23:22 PM

April 24, 2015

Gerald Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: NCUA Revised Proposed Risk-Based Capital Rule

Dear Mr. Poliquin,

I am writing on behalf of Idaho Central Credit Union (ICCU). ICCU serves over 190,000 members in Idaho and has assets of \$2 billion. We wish to thank the National Credit Union Administration (NCUA) for the opportunity to once again comment on the Proposed Risk-Based Capital Rule (RBC).

As we wrote in our comment letter for the RBC1 draft, ICCU is not necessarily opposed to the theory of an institution with higher risk carrying a higher capital requirement. We are also sympathetic to the monumental task of developing a rule that is both equitable and can be reasonably implemented. We also appreciate the NCUA listening to the industry and making changes to RBC1 and then giving credit unions the opportunity to once again comment on RBC2.

ICCU urges the NCUA to not implement RBC2. While we appreciate the improvements made over RBC1, we feel it is still too complex and difficult to implement and regulate. We also believe there is still too much ambiguity over whether the NCUA has legal authority to proceed. Finally, with a regulation that has such a large impact on credit unions, we believe the NCUA board members need to agree and speak with one voice with regard to RBC. That is currently not the case.

Should the NCUA decide to continue to pursue a RBC regulation, we urge you to consider the following:

- **RBC2 would add a requirement that a covered credit union must maintain capital commensurate with the level and nature of all its risks and must have a process to determine its capital adequacy in light of its risk and a comprehensive written strategy to maintain an appropriate level of capital. This troubles us because it still potentially gives examiners the ability to demand additional capital. We must not let examiners second guess the credit union's capital levels above and beyond what a regulation requires.**
- **There are still some troubling areas with regard to risk weighted assets:**
 - **Why do secured consumer loans have a higher risk weight than for banks?**
 - **Why did the unsecured consumer loan risk weight increase from 10% to 75%?**
 - **Commercial loans are categorized as those loans to businesses in excess of \$50,000. Why does RBC wish to include loans less than \$50,000 in the risk**

- weight? Why is the definition of a commercial loan changing for RBC?
- Why do first lien and junior lien residential real estate loans over 35% of assets and 20% of assets respectively have a higher risk weight than for banks?
 - Why do commercial loans over 50% of assets have a higher risk weight than for banks?
- We are glad RBC1 was revised to take out interest rate risk. However, we are concerned the NCUA may now implement additional interest rate risk regulations. We feel if this happens it will become even more restrictive than RBC1. There is already interest rate regulation which we believe is sufficient and we hope a new regulation isn't forthcoming.
 - We still disagree that the difference between a complex and a simple credit union is a matter of size. We do not feel size determines complexity. Complexity should be defined by your products, services, investments, etc. rather than by asset size.
 - We disagree with the risk rating of mortgage service rights. Credit unions often sell loans for liquidity and interest rate risk reasons. Many credit unions prefer to sell these and hold them to retain the relationship with the member. The proposed regulation will penalize credit unions for being fiscally responsible and member centric.
 - We appreciate that with RBC2 more time was given for implementation. We encourage the NCUA to push the date out further to 2021 to coincide with the termination of the corporate stabilization fund.

There are many well written comment letters and they contain sound advice on crafting the regulation. We encourage the NCUA to very carefully consider the above as well as the input from the other comment letters.

Thank you for your consideration. If you have any questions you may contact me by email at bberrett@iccu.com or phone at 208-239-3096.

Sincerely,

Brian M. Berrett
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Idaho Central Credit Union

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