



Date: April 27, 2015

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

Re: NCUA Risked Based Capital Rule

Dear Mr. Poliquin:

On behalf of Oklahoma Employees Credit Union (OECU) and the 43,000 members in which we serve and \$450 million in assets OECU manages, OECU appreciates the opportunity to comment on the revised proposal. While OECU applauds the NCUA Board for listening and responding to credit union industry concerns regarding Risk Based Capital Proposal and the changes that have already been made, OECU submits the following items for your review and consideration pertaining to the revised Risked Based Capital Rule (RBC2):

**Further Define "Complex" Credit Unions**-The NCUA is only considering the "complexity" of a credit union by their asset size. OECU believes that the NCUA should rely on something such as member services, loan and investment types, and portfolio competition. Also this approach is more consistent with the Federal Credit Union Act which requires NCUA to consider "the portfolio of assets and liabilities" of credit unions when determining whether they are complex. Not all \$100 million to \$10 billion credit unions are complex and deal in areas that are "good indicators" that the NCUA has stated as: Member Business Loans, Participation Loans, Interest-Only Loans, Indirect Loans, Real Estate Loans, Non-Federally Guaranteed Student Loans, Non-Agency Mortgage- Back Securities, Commercial Mortgage-Related Securities, and Derivatives just to name a few. If this rule will only essentially affect the "outliers" as Chairman Matz believes, then the rule should increase the definition as "complex" as having an asset limit of \$1 billion range and above, and/or only affect those credit unions that are dealing in 8-10 areas stated above as "good indicators."

**Credit Union Service Organizations (CUSO) Investments**-The NCUA has decided to apply a 150% risk-weight percentage to investments in CUSO's. This arbitrary risk-weight assignment is counterintuitive to the credit union philosophy of working together. These successful investments will potentially penalize OECU and the industry in the future, even though the track record of these organizations is positive. Being able to collaborate with other credit union's via CUSO's allows credit unions to offer products and services to members that they would otherwise not be able to offer due to lack of resources and high startup costs.

**Mortgage Servicing Rights**- OECU believes weighting mortgage servicing rights at 250% is too excessive. Mortgage servicing rights are recorded in accordance with GAAP and, if done so properly, pose minimal risk to the balance sheet. By weighting these assets at 250%, it deters credit unions from serving members by providing mortgage products while eliminating IRR from the balance sheet at the same time. The potential 250% weighting for these areas appears to be unreasonable in our experience. It seems any additional capital requirements should be based on actual losses as opposed to an arbitrary figure. This large weighted risk potential would limit OECU's ability to provide mortgages to our members.

**Interest Rate Risk**- Interest rate risk should not be incorporated into the risk-based capital system, or in any way grafted onto the Prompt Corrective Action system. NCUA already has an interest rate risk rule in place that provides adequate protection. There is more than one way to evaluate interest rate risk, and selecting just one in a fixed rule would unnecessarily restrain credit union risk-management. If NCUA feels that additional interest rate risk steps are needed, they should be addressed in the regulatory, examination, and supervision process.

**Legal Authority to Implement a Two-Tier Risked Based Net Worth Requirement**- The Federal Credit Union Act (FCU Act) expressly provides that the NCUA shall implement a risked-based net worth requirement that "take[s] account of any material risk against which the net worth ratio required for an insured credit union to be adequately capitalized may not provide adequate protection." 12 U.S.C. § 1790d(d). The FCU Act does not seem to express authority to implement a separate risked-based net worth threshold for the "well capitalized" net worth category. Basically, Congress has not expressly authorized NCUA Board to adopt a two-tier risked-based net worth standard.

Thank you for your consideration. OECU appreciates the opportunity to comment on these issues. OECU strongly and respectfully encourages the NCUA to consider possible improvements to the Risk Based Capital Rule in accordance with OECU's, other credit unions, credit union members, businesses associated with credit unions, and listen to the recommendations that have been submitted throughout this comment period. This rule will affect the safety, soundness, and long term viability of the credit union movement for years and decades to come. Should you have any questions or wish to discuss, please feel free to contact me at any time.

Sincerely,



Mark W. Kelly  
President/CEO