April 27, 2015

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

VIA ELECTRONIC DELIVERY: regcomments@ncua.gov

RE: Comments on Proposed Prompt Corrective Action – Risk Based Capital Rule 2.0

Dear Mr. Poliquin:

On behalf of Members Cooperative Credit Union (MCCU), please accept this response as input to the proposed rule to establish risk-based capital (RBC) requirements for federally-insured credit unions. MCCU is a $400 million credit union serving 30,000 members in a seven- county geographical field of membership in northern Minnesota.

We appreciate the opportunity to comment on this proposal, which could have significant impact on our members and the credit union system. The current proposal, as written, would replace a system that has stood the test of time, with a one-size-fits-all system that cannot take into account each credit union's unique characteristics. The credit union industry emerged from the recent economic downturn in 2007 and 2008 in a strong financial condition, despite having to recapitalize the NCUSIF. Credit union failures are typically due to high concentrations in higher risk loans that should have been identified during the examination process. Implementation of the proposed RBC requirements, where all credit unions are measured by a standardized measure of risk, guarantees that the unique risk of an individual credit union will not be appropriately captured. MCCU believes that a continued focus on equipping examiners with the right questions to ask when conducting exams is far superior to a rule that establishes a standardized view of risk to be applied to all credit unions.

If the NCUA must continue forward with this rule, we have the following comments we ask NCUA to consider in developing the final rule.

Eliminate the 10% Risk-Based Capital Ratio Requirement

The requirement that credit unions meet a 10% capital ratio will put the entire credit union industry at a competitive disadvantage to banks. The mismatch between risk-based capital requirements for banks and the proposed rule for credit unions will create a more restrictive

capital requirement for the entire credit union industry at a time when credit union members need the support of their credit union. NCUA should eliminate the 10% risk-based capital ratio requirement and establish a single-tier requirement of 8% that aligns with the banking industry's Tier 1 capital requirement.

Eliminate the Concentration Risk Thresholds

The proposed rule placed credit unions at a competitive disadvantage to banks by requiring credit unions to hold incrementally more capital than banks given similar levels of asset concentrations. Historic loss data provided by NCUA in the proposed rule does not support establishing a higher capital standard for credit unions than banks. Furthermore, there is no evidence to support that the proposed concentration risk thresholds align with increased capital at risk. NCUA should eliminate the proposed concentration risk thresholds and manage concentration risk through the examination process.

Eliminate the Capital Adequacy Plan Requirements

Under the proposed rule, credit unions determined to be "complex" would be required to develop a capital adequacy plan to assess the sufficiency of their capital on an ongoing basis, and set aside capital in excess of the 7% net worth and 10% RBC requirement. This assessment would be subject to examiner review.

MCCU opposes the capital adequacy plan requirements in the proposed rule. MCCU performs periodic assessments of our desired capital ratio based on our own assessment of risk and risk tolerance. This assessment should not be the subject of examination and supervision where the goals we've established based on our individual risk assessment are second-guessed during the examination process by examiners with limited understanding of our members and their needs.

Conflicts in risk-weight categories

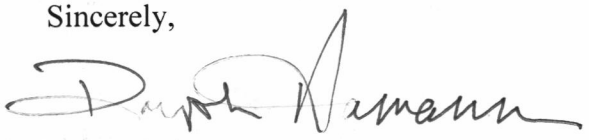
The risk-weights for different asset categories do not appear to reflect the underlying risk of each asset class, leading us to question the empirical support for the risk-weights. Risk weights under the proposed rule remain too high in key areas, and they should be at the same level, or lower than those required by the federal bank regulators for assets such as mortgage loans, member business loans, mortgage servicing rights, and certain investments. Lower risk weightings for credit unions are appropriate given their different incentives to manage risk as compared to banks.

Final thoughts for consideration

Credit unions are generally more conservative in their lending practices, have a more well-balanced portfolio, and overall tend to hold higher quality loans. The credit union mission is to serve its members, and it is becoming increasingly more onerous for credit unions to provide readily available consumer lending products, particularly mortgage loans, to them. We understand NCUA's goal of protecting the NCUSIF fund and limit risk, but part of NCUA's mission also includes supporting the credit union movement and industry. The proposed risk-

based capital rule goes too far. The proposed rule is a solution in search of a problem, and NCUA's desire to curb industry risk will punish the credit union system and curb opportunities for healthy growth and success.

Sincerely,



Ralph Hamann
Vice President, Finance, HR and CFO
Members Cooperative Credit Union

cc: U.S. Senator Al Franken (MN)
U.S. Senator Amy Klobuchar (MN)
U.S. Representative Richard Nolan (MN)