



March 18, 2015

By electronic delivery to:
<http://www.regulations.gov>

Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: RIN 3133-AD77
Risk-Based Capital

Dear Mr. Poliquin:

Kohler Credit Union appreciates the opportunity to submit comments to the National Credit Union Administration on the proposed Prompt Corrective Action and Risk Based Capital proposed rule.

Kohler Credit Union is a \$280 million asset community chartered credit union, headquartered in Kohler, Wisconsin. Kohler Credit Union maintains seven (7) full service branches and four (4) in-school branches serving approximately 37,800 members in Sheboygan, Calumet, Manitowoc, Ozaukee, Washington, Fond du Lac, Milwaukee and Waukesha Counties of Wisconsin.

Over the last few years, credit unions have faced a common and growing concern: the crisis of creeping complexity with respect to the regulatory burden. Capital and risk go hand in hand, and credit union senior management, boards, and regulators are all accountable for ensuring that appropriate capital levels are in place based on the credit union's risk exposure. The proposal lacks recognition of efforts to mitigate and manage risk exposures such as asset-liability management and enterprise risk management. To a credit union management it feels more like the NCUA is attempting to micromanage the strategic operations of the credit union.

Potential Unintended Consequences

We do not agree the current method utilized to determine the risk based net worth (RBNW) ratio needs to be modified. We still believe this would have many unintended consequences for credit unions and give them a competitive disadvantage in the marketplace. It still appears that the NCUA is looking at "a solution in search of a problem." We also feel that NCUA has not justified the need for the rule adequately and assumes unwarranted additional authorities under this proposal. Many of the statistics that have been shared about failed credit unions still do not show that this proposed solution would have detected and/or prevented these failures. The legal opinion received by the NCUA is only one viewpoint and by some in the industry considered "weak".

For credit unions such as Kohler Credit Union, even though we would be fine in the current timeframe, this could impact long-term growth strategies with products, services, and potential mergers. We would be managing more to the numbers than the needs of our members. Built in cushions for growth could potentially go away. The majorities of credit unions have tremendous financial strength and have a powerful innovative and cooperative spirit that will make them a catalyst for improving members' financial lives for years to come.

The proposal in no way gives leeway to credit unions or the NCUA in the event we go through another crisis that requires natural person credit unions to pay out huge assessments, out of the control of their Board and management.



We appreciate that the NCUA board reissued its risk-based capital proposal with many of the improvements that the industry and its trade associations sought, it still falls short. The costs of implementation do still seem to outweigh the benefits. Whenever costs of regulation are nonstop for credit unions, member services are confined and our members suffer. Since current regulation only allows for capital to increase through profitability, something would have to give to build the capital ratios a two-tier system would require.

In Summary

Kohler Credit Union does a tremendous amount of good in our communities and we need fair and reasonable regulation. We need to get back to the business of serving our members and not working on implementing new and cumbersome regulations.

We appreciate the opportunity to share our thoughts on the proposal. Again, I would urge the NCUA further consider all comments received and revise the proposal. If you have questions or need further information, please feel free to contact me by telephone 920-459-2595 or by email at jehmann@kohlercu.com or svandermeuse@kohlercu.com.

Sincerely,

John Ehmann

John Ehmann
Senior Vice President/CFO

Sue Vandermeuse

Sue Vandermeuse, CUCE, CUERME
VP Internal Audit & Risk Management