

**From:** [Maurer, Lonny](#)  
**To:** [Regulatory Comments](#)  
**Cc:** [Sgrignoli, Amey](#); [Executive](#)  
**Subject:** Comments on Proposed Rule: Risk-Based Capital  
**Date:** Tuesday, March 10, 2015 10:31:54 AM

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To: Regulatory Comments  
From: Amey R. Sgrignoli  
President/CEO

Dear Mr. Poliquin:

In this country there are many credit unions that are very diverse in the products and services offered because our members want them. We are non-profit cooperative financial institutions chartered to help our members. By design we are not significant risk takers. The proposed rule is entirely too complex and burdensome. It will cost credit unions a great deal of money to retool to comply with NCUA 5300 reporting requirements to support NCUA data collection.

The NCUA is attempting to write rule-making to simplify its duties as a supervisory and enforcement agency. For the sake of a few credit unions that pose undue risk, the agency is imposing a burdensome rule of all credit unions. Why not improve upon supervisory examination and enforcement rather than use this approach?

Congress never intended for the NCUA to develop complex rules that are intended to limit the ability of credit unions to serve their members. This rule will limit our ability to serve those who need our help the most. It will also serve to stifle innovation for fear that NCUA will see any risk taking as too risky.

An arbitrary decision to cast the net to all credit union over \$100 million makes no sense. While my credit union is much larger, we are sensitive to the demand placed upon our smaller brethren.

We believe there is no need for this new rule. The vast number of credit unions successfully came through the Great Recession in fine shape despite the burden to recapitalize the NCUSIF. As the data shows, only 19 credit unions are not well capitalized under this proposed rule! All others are capitalize at 10% RBC or more.

The NCUA already has sufficient supervisory powers to regulate credit unions. You also have more than sufficient enforcement capabilities. Perhaps it is necessary to further train the field staff. We feel the money that we will all be required to spend if this rule is promulgated would be better spent on such training and not on new rule making.

As to the proposed rule, there are several problem areas that need attention before and if the rule is finally put into practice. They are:

1. The appeals process must be improved such that a credit union that wishes to appeal an NCUA decision be afforded a hearing before a body that is independent of NCUA.

2. Asset size is not a primary qualifier of a complex credit union.
3. The vast majority of larger credit unions already have written policies to deal with balance sheet risk and strategies to keep capital at a level commensurate with the degree of risk present on the balance sheet.
4. All credit unions should be able to count their respective 1% deposit with NCUA as capital.
5. With regard to real estate loans, whether as MBL or residential, the rules are entirely too complex and will require extensive retooling to capture the data for NCUA 5300 reporting. In addition, the risk ratings are still arbitrary because:
  - a. The vast majority of MBL's are collateralized with real estate at an LTV of 75% or less.
  - b. The vast majority of home equity loans are first mortgages with an LTV of 80% or less.
  - c. Some increased risk is seen with junior lien mortgages, but it is not seen as extensive nor widespread. We do not need to be this granular.

In summary, this rule goes too far. It will limit our ability to serve our members. By our structure and charter, we limit risk. We are not for profit, but for service. If we limit our ability to help those who need it most, we no longer accomplish the very reason for our existence. NCUA already has the supervisory and enforcement capability to rein in outlier credit unions. Why not use what you already have rather than moving into uncharted waters to create a new headache for all of us.

*Lonny J. Maurer*  
*President/CEO*  
*Belco Community Credit Union*