From:	Tara Gilliland on behalf of Steve Rasmussen
To:	_Regulatory Comments
Cc:	syashewski@cornerstoneleague.coop
Subject:	Risk Based Capital Comment
Date:	Tuesday, March 25, 2014 4:24:34 PM
Attachments:	image001.png

Mr. Gerard Poliquin
Secretary of the Board
NCUA

Re: Risk Based Capital Proposal

Members of the Board

First of all, I would like to commend you for recognizing that the implementation of Risk Based Capital (RBC) is a positive move for our industry. Every credit union's balance sheet is unique, and a risk based capital approach in calculating our net worth will be good for us. Credit unions who pose a greater threat to the NCUSIF should have to maintain higher capital, and likewise for those who pose a lesser risk.

I would like for you to consider some changes prior to implementing this regulation. I think you would be putting an undue burden on some CU's by the short implementation date. We have all been in a recessionary environment since 2009, and the low interest rate environment has taken its toll on earnings. It is obvious that higher interest rates are on the way, and will provide some relief for compressed spreadsheets, but the improved earnings will not happen overnight. Please consider something more of a 3 year implementation period or longer.

I think the rule allowing an examiner to have discretion to increase RBC requirements is inconsistent with the rule itself, and has no basis. I would think a review by the regional office would at least be a minimum requirement rather than the whim of one person, or even a regional supervisor.

I really do not understand the 250% risk weight given to all CUSO investments. We invest in an auto lot with several other credit unions, and in a shared service center network since 1995, and I question the logic of the CUSO rule as it stands. Perhaps different Cuso's should carry different risk weightings.

I think you all should reconsider giving all consumer loans the same weighting factor—for example, should not collateralized loans be considered less of a risk that unsecured loans? Mortgage loans, both first and second mortgages should be weighted based on risk, and not necessarily on concentration .

Finally, is there clarification regarding the term "Well Capitalized"., and other categories. For instance we currently have over 8.25% capital, but under the new formula, our RBC is 10.35%. Are we well capitalized or adequately capitalized?

Thanks for your consideration.

Steve Rasmussen
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