Del-One
Delaware Federal Credit Union
The One Way to a Better Life.

March 21, 2014

Mr. Gerard Poliquin
Secretary, NCUA Board
1775 Duke Street
Alexandria, Va. 22314-3428

Re: Risk-Based Capital Proposed Rule

Dear Mr. Poliquin:

I am writing to express concerns regarding the proposed Risk-Based Capital Rule. First, I would like to provide some background on Del-One Federal Credit Union. Del-One is over $300 million in assets and serves over 40,000 members throughout the State of Delaware. We serve a diverse membership through our 9 full-service branch locations and 24 x 7 Call Center. With that background in mind, I hope to communicate how the proposed rule will be a detriment to the future growth and competitiveness of not only Del-One, but all credit unions.

As more select employee groups have affiliated with Del-One, demand has increased substantially for business services and member business loans. While Del-One has gradually ventured into this arena, we are reluctant to go full throttle. Why? First, there is the issue of the arbitrary cap placed on all credit unions pertaining to member business lending. The proposed regulation provides a secondary impediment to expanding or starting a business lending program. With all due respect, I need a better explanation of how the risk weightings for member business lending were derived and how are they are justified. Are credit union member business loans that much more risky than those offered by banks? The risk weightings would suggest they are more risky. How does this negatively impact members? Before Del-One goes to the expense of hiring the employees to effectively implement and sustain a member business lending program, we need assurances that we can succeed within the scope of the regulatory environment, not in spite of it. The bottom line is that member business owners are the losers as a result of the unintended consequences of the risk weightings for member business loans under the proposal.

The risk weightings of mortgage loans are also of concern and will result in the unintended consequence of restricting access to affordable mortgage loans for credit union members. It's a repetitive argument as presented above in the member business lending scenario. Why do the risk weightings suggest credit union mortgage loans are more risky than those made by the banks? Del-One is not unique in the fact that we present ourselves to our members and the public as a more affordable alternative to banks. As it stands, we may be a more affordable alternative, but certainly a far less competitive alternative as the rule will result in the restriction of mortgage services in our compliance efforts with the new rule.

The need for flexibility within the proposed rule is understood; yet, it's concerning that under the proposal, the NCUA can arbitrarily apply a minimal capital requirement to a credit union. That's simply an example of taking flexibility to an unwarranted and uncomfortable level.

Lastly, the online calculator should be placed in the secure portion of the NCUA Web site. The NCUA is a diligent guardian of CAMEL ratings and the importance of not having those released to the public. Yet, this calculator is front and center for the public. A credit union could be well capitalized under the existing structure and less than well capitalized under the proposed rule. This could potentially lead to false conclusions over the safety and soundness of a credit union.

Thank you for your time in reviewing the comments from the perspective of Del-One Federal Credit Union. We respect and appreciate your role in protecting the safety and soundness of the credit union industry. With that being said, I leave you with two parting thoughts. First, please consider the unintended consequences of this proposed rule on the members of credit unions. Del-One strives to serve the underserved and the risk weightings in the proposal will simply be an impediment to that mission. Secondly, revisions to the proposal should be geared toward mitigating risk, not avoiding it all together. As it stands, the proposed rule puts credit unions at a competitive disadvantage in the financial services industry.

Sincerely,

Dion L. Williams, CFP®, MBA
President / CEO