



Dora
Department of Regulatory Agencies

Division of Financial Services
Chris R. Myklebust
Commissioner

John W. Hickenlooper
Governor

Barbara J. Kelley
Executive Director

March 14, 2014

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

Dear Mr. Poliquin and the National Credit Union Administration Board Members:

Enclosed you will find our comments related to the proposed Risk Based Net Worth requirements for part 702, "Prompt Corrective Action".

Our comment refers to an Off Balance Sheet item; Loans Transferred with Limited Recourse, and their measurement on the 5300 Call Report. The call report (page 10, line 5, account 819 under "Contingent Liabilities") requires that the total principal balance outstanding of loans sold with limited recourse be reported, regardless of how much recourse the selling credit union is contractually liable for. This creates a negative impact to the credit union's net worth that diminishes their ability to deploy capital effectively.

We agree that off balance sheet risk is a relevant component of this new measurement, but an illogical application of this premise dilutes the usefulness and relevance of the calculation. We are specifically referring to loans sold to the Federal Home Loan Banks under the Mortgage Partnership Finance ("MFP") program, where the credit union retains risk in a portion of each loan sold as a condition of the sale. One current example for a state chartered credit union in Colorado is that only 2.338% of the loans sold through the MFP program are of potential risk to the credit union.

We respectfully request that the NCUA review and modify the reporting and calculation for this requirement to ensure a reasoned approach to measuring total enterprise risk based net worth. If the requirements go forward as published, please allow credit unions an ample transition time so as not to disadvantage them in the marketplace.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris R. Myklebust", written over a large, light-colored oval shape.

Chris R. Myklebust
Commissioner of Financial Services