

Submitter Info

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Public Comments on Prompt Corrective Action; Risk-Based Capital : =====

Title: Prompt Corrective Action; Risk-Based Capital  
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Submitter Info:

First Name: Debi

Last Name: Southworth

ZIP/Postal Code: 49015

Email Address: dsouthworth@omnicommunitycu.org

Comment: We are writing to express our concerns regarding the NCUA's proposal to amend Part 702 of the NCUA's regulations regarding prompt corrective action and Risk Based Capital.

To give you a little background on our credit union, OMNI Community Credit Union is located in Battle Creek, Michigan. We serve close to 35,000 members and our current asset size is roughly \$307 million.

We realize that we are emerging from a time when perhaps too many credit unions were undercapitalized when the economy took a turn for the worse, however, the overall Credit Union picture is improving. The industry as a whole has less credit unions that are adversely rated by the NCUA. We feel that this proposal will not necessarily effect those who had issues in the past, but effect those credit unions who have structured their credit unions in such a way to reduce risk via: CUSO ownership; laddering our investment portfolio and may affect future mergers of the Credit Union.

OMNI Community Credit Union has deemed CUSO ownership as a way to mitigate risk as we do not have to invest in upfront costs: Software, Product Expertise, etc. Therefore, we have invested in three CUSOs, however as those investments will nowt be counted at 250% of the actual value, we may have to reevaluate that option. This would possibly result in less, small business and consumer mortgage lending to our membership. In addition, it would possibly prevent us from seeking other CUSO opportunities in the future.

We also work with Investment specialist to aid us in structuring of our investment portfolio to ensure sound financial practices. Part of this includes laddering our portfolio to remain liquid and balancing our interest rate risk. This new proposal will restrict our ability to properly ladder our portfolio by requiring anything over a 5 year investment be counted at anywhere between 150% - 200%.

The other area we find as a cause of concern is the weighting of MBL Loans. OMNI Community Credit Union has been designated as a Low Income Credit Union, thus lifting the cap on MBL loans. However, now if we aim to grow that portfolio, we will be penalized for anything above 15% of assets. How is an MBL of more risk than delinquent unsecured loans?

We also are concerned that the NCUA can make an arbitrary decision to require a Credit Union to have additional capital.

Finally, when approved, the role out of this is to be 18 months. However, when BASEL 3 rolled out to Banks it was rolled out slowly over seven years to allow banks to adjust items. We feel that the NCUA should take a similar roll out into consideration.

We appreciate your time in reviewing our concerns.

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