From:	Kim Withers
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Comment Period
Date:	Thursday, March 13, 2014 11:31:57 AM

March 13, 2014

RE: Prompt Corrective Action – Risk-Based Capital Comment Period

Dear Secretary of the Board Gerard Poliquin,

Meridian Trust Federal Credit Union is celebrating its 60th Anniversary Year. Like many other institutions, we have seen many changes over the years and value the opportunity to comment on proposed regulations. We hold $286 million for 21,700 members in Wyoming and Western Nebraska. The comments below pertain to the proposed Prompt Corrective Action – Risk-Based Capital.

General Suggestion for Comment Period:

We recommend that a "what if" plug and play analysis be developed, so that credit unions may run simulations to see how the proposed RBNW calculations would impact their credit union in the future. It was relatively easy to build in an excel spreadsheet. From that, I was able to model a variety of test cases, for example, if we increased member business lending or different risk based weightings.

RBNW Formula "Investments":

Investments 10> Years: The proposed calculation is 2.0 for long term investments. This appears excessive when real estate loans tops out at 1.0.

Corporate CU Member Capital & PIC/Perpetual Contributed Capital: The RBNW of 1.0 for Corporate CU Member Capital and 2.0 for PIC/Perpetual Contributed Capital isn't justifiable under the new conditions for Corporates. In the revised Corporate Regulation 704**,** NCUA has established directives for operations, investments, retained earnings, and capital. With increased oversight of Corporates and limiting business model, the proposed risk weighting is disproportionate to the actual risk.

RBNW Formula "Other Assets"

Investment in Credit Union Service Organization. At 2.5, this treats all CUSO's as perilous. Meridian Trust has a limited CUSO for a shared service facility. This type of CUSO would not pose a material risk to capital or earnings with its restricted business model.

Imposing Higher Capital Requirement Outside the Calculation

Regulations should be evenly applied and requirements should be clearly articulated prior to stipulating additional capital levels by individual or supervisory examiners. In the past, we have experienced the individualism of an internal requisite that was not communicated to regional credit unions. It created an environment of confusion, lack of clarity, and inconsistency.

There are established administrative actions that can be enforced by NCUA given the situation already in place.

Summary of Recommendations

Prompt Corrective Action – Risk-based Capital is an acceptable practice in the financial industry. I've outlined specific areas of concern in the risk based weighting; however, overall the weighting seemed to be heavy handed specifically pertaining to the credit unions. Coupled with field of membership constraints and higher capital requirements; the effect would be even more restrictive for the credit union industry.

We appreciate the significant effort work that goes into constructing the proposed regulation. This will be an important milestone for credit unions. Thank you for the opportunity to comment.

Best Regards,

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