From:	Steven A. Banks
To:	_Regulatory Comments
Subject:	Risk Based Capital Proposal
Date:	Wednesday, March 19, 2014 9:45:47 AM

03/19/2014

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

Re: Risk Based Capital Proposal

Dear Secretary Poliquin:

NCUA and credit unions have dissimilar purposes. A credit union exists solely to serve its members. NCUA, as stated in the Risk Based Capital proposal, has a primary mission to ensure the safety and soundness of federally insured credit unions. A member who finds his credit union irrelevant for failing to serve his financial needs will seek financial satisfaction elsewhere, if it can be found. And it is my opinion NCUA is inhibiting our ability to competitively serve members as expressed in the RBC proposal which is extraordinary in its length, in its point of view, and in its discretionary muscle to leave the mathematics and reclassify capital reserves by fiat.

To quote from the Federal Register: “The proposed rule is intended to help credit unions better absorb losses and establish a safer, more resilient, and more stable credit union system. The improved resilience will enhance credit unions’ ability to function during periods of financial stress and reduce risks to the NCUSIF.” Therein is a point of view far removed from a credit union’s whose sole purpose is to serve its members, not just when times are tough but also when times are good. NCUA’s justification for these rules is geared toward weathering bad times. This medicine, though, will limit a credit union’s ability to prosper during the good times due to NCUA’s competitive hindrances. There’s no NCUSIF to protect if the credit union industry disappears for lack of competitive relevance.

The following are some of my concerns:

- Publication of a Risk Based Capital ‘what if’ inquiry on NCUA’s website—what benefit to a credit union or the credit union system is it for a layman to come to the site and type in any credit union’s charter number and be greeted with a warning that that particular credit union is under-capitalized within the RBC proposal?
- Reserve weightings—where is the benefit for weighting a credit union’s investment in its member as though riskier than a commercial bank’s loan to its customer? To require capital reserves in excess of our direct competitors is a competitive disadvantage. Reserve methodology should not disadvantage credit unions.
- Discretionary supervisory actions—carving out the authority to abandon page after page of proposed regulatory mathematics and replace it all with “because we say so” leaves one to wonder why spend so much time and effort on the so-called rules?
- First mortgage real estate loan defined—the definition of a “first mortgage real estate loan” needs no further explanation. It is a loan on realty with the benefit of a senior security interest to all others. The definition in the RBC proposal is of a class of loans best described as Dodd-Frank QM/ATR first liens. As proposed, this definition serves only to play a game of ‘gotcha’ to the credit unions NCUA regulates.

Credit unions did not cause the financial crisis the nation has yet to recover from, yet we are regulated as though guilty. The remedies thus far foisted on lenders fail to benefit consumers; regulators, though, have inversely thrived. As presented in its RBC proposal, NCUA does not provide an avenue for the industry to grow and prosper so we can serve members better.

Sincerely,

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