From:	Brandon Michaels
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Monday, April 07, 2014 1:01:14 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Mazuma Credit Union, which serves Federal Employees and residents of Cass, Clay and Jackson counties in Missouri and Johnson County in Kansas. We have nearly 54,000 Members and $488m in assets. Mazuma Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

How would your credit union be affected by the proposal? Mazuma is well capitalized today, but would barely be well capitalized given the 'more-stringent-than-Basel III' risk weightings. Why does NCUA require the National Credit Union Share Insurance Fund 1% deposit to be ignored in the risk-based capital calculation? Are you saying your own insurance fund is too risky to be a benefit to the credit union's risk structure?

For Mazuma, this rule will force us to limit our assistance in our community. We are very heavy into real estate and business lending because our community requests it. This rule will require us to turn people away without any good reason other than 'our regulator told us we had to.' Real estate lending is imperative. Business models will definitely have to change. IMPLEMENTING A RISK-BASED CAPITAL REQUIREMENT BEFORE SUPPLEMENTAL CAPITAL IS A CLASSIC EXAMPLE OF 'CART BEFORE THE HORSE.' It defies logic and is something NCUA needs to address with Congress BEFORE this rule is put into place.

I do believe that Risk-based capital is important, but it shouldn't be more stringent than what banks face. In most cases, we are more conservative than banks, so why subject us to more stringent capital requirements? There is a lot wrong with this proposal, including the risk weightings and the overall level of capital credit unions are required to maintain. Why do banks only need to meet the 10% threshold, but credit unions are required to maintain 10.50%? Again, it's inconsistent with our banking brethren and too stringent for our business model.

Additionally, why is NCUA trying to ram this regulation through the process without giving us adequate time to truly assess its impact on our operations? It will have a huge impact on most credit unions, but NCUA appears to have tunnel vision on its impact. There needs to be at least a year for credit unions to reexamine their business models, have strategic planning sessions with their boards and determine next steps. Being forced to do it all so quickly, sets some smaller credit unions (and potentially larger ones too) up for failure.

Do you agree NCUA should be able to impose higher capital requirements on credit unions on a case by case basis? The rule is the rule. If the rule is sound enough, it should be the standard in which all stakeholders operate. There shouldn't be further authority from the NCUA to randomly impose higher capital requirements. If the risks and weightings are appropriate, why would there be a need to do this?

I have comments on the following risk weightings:

- MBLs - No. Are you penalizing credit unions who engage in MBLs? Are you trying to regulate credit risk in a capital requirement alone? MBLs are better for ALM because of the repricing structure. So, why is NCUA attempting to deal with interest rate risk through this setup? Ignoring the liability side of the balance sheet is just fundamentally wrong.
- Mortgage Loans - NCUA should really revise the weightings for mortgage loans as it clearly ignores the funding source of these loans. Is it the long-term nature of the loan that concerns NCUA? Is that why there needs to be more capital for it, even considering the relative steadiness of real estate? What about geographies that have relatively stable values? Is California, Florida, Arizona and Nevada affecting these weightings?
- Longer-term investments - again, this risk weighting does not take into account the funding

source for these investments. Why penalize for investing in long term investments if our funding source supports this? What if we hedged through borrowing? Why penalize credit unions, especially if they are in government-backed investments? Attempting to put ALM concerns in a capital rule doesn't seem to be future-oriented.

- CUSOs Investments and Loans - 250% for investing in innovation and trying to keep our industry alive? Seriously? This capital requirement is going to all but halt the investment of capital in CUSOs (especially for those credit unions who are right on the cusp of well capitalized). Most of the CUSOs that credit unions invest in, such as CO-OP, PSCU, CUDL, etc are well-established and strong organizations. Now we need to carry their investment on our books at more than double the book value? I respectfully ask NCUA to carefully review the impact of these weightings.

I know NCUA spent considerable time reviewing and analyzing what the weightings should be. I don't envy the position NCUA is in. However, I really request that NCUA go back to the Board room and carefully consider THE IMPACT of these weightings on the industry….not just the weightings themselves.

Should the NCSUIF deposit be excluded from the calculation of RBC ratios? Absolutely not. Where is the explanation of reasoning from NCUA. Why would we not include this in the denominator as a 0% risk?

Should goodwill be excluded from the calculation of the RBC numerator? No, I think the value of the goodwill is an asset and should be weighted appropriately.

Do you agree NCUA should be able to restrict dividend payments as the proposal would provide? Absolutely not. This seems to be NCUA's way of getting into the operations of the credit union: regulatory overreach in my opinion.

Summary of your position:
Brandon Michaels, President/CEO

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

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