From:	Nick Meyer
To:	_Regulatory Comments
Subject:	Comment on Proposed Regulation: Risk Based Capital
Date:	Thursday, April 10, 2014 5:33:08 PM

Hello NCUA:

The idea of an additional, more sophisticated, risk based capital calculation and comparing to required benchmarks makes complete sense.

Certainly it is valid that the more risk a credit union assumes, the more capital should be available to cover losses. At best, a credit union is able to cover its own losses. Yet we are there to help each other.

We all want to preserve the NCUSIF because it is funded by credit unions and safeguarded by NCUA in this cooperative structure. Most credit unions agree that's job one of NCUA.

However, in reality, the funds in the NCUSIF belong to credit union members…good, hardworking people of the past, present and future.
So we all have this awesome fiduciary duty, like we all know and respect.

Of course, capital is more than a ratio, a numerator on top of a denominator.
Real dollar capital is even more important.
A credit union can raise the capital RATIO in a few weeks by slashing dividends and chasing off deposits.
However, that could cripple the credit union because those deposits might not come back except by overpricing later.
So it'd be counterproductive if a credit union managed only toward capital and not member service, and of course, safety and soundness. We all want credit unions to flourish.

Our management's three main comments are as follows:

First, NCUA should work diligently to reflect the risk based capital calculations of the banking industry. If credit unions are meaningfully different, we'll be under constant criticism if we not as tough or we're too tough. It doesn't have to be BASEL III exactly, but we do need to have a similar approach, right.

Second, NCUA needs an enlist an outside expert consulting entity (e.g. Chicago School of Business) to assist in the weighting factors. We don't want to be too simplistic or appear arbitrary. The risk weighting factors should be empirically grounded in fact.

Third, like we all know, first mortgages comes all “shapes and sizes.” A money purchase first mortgages that’s 95% LTV is a very different risk than a refinance of a small first with a LTV of 30%. Also, a first mortgage that is amortized over 5 years is quite different than 30 years, or if the rate is adjustable or fixed. Not to mention many second mortgages become first mortgages if the first is paid off before the second, which isn’t uncommon.

Naturally, if NCUA doesn’t get it right, we’ll lose credit unions both because they’ll liquidate or merge or because they will choose to convert their charters to mutual savings banks or the like.

So, we always must be cognizant of those unintended consequences so we don’t defeat the good intention of improved capital to risk assets analysis.

Thank you. Best regards. Nick Meyer, Minnesota Valley FCU #19440

12 CFR Parts 700, 701, 702, 703, 713, 723 and 747	Prompt Corrective Action; Risk-Based Capital	1/23/2014	5/28/2014

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Nick Meyer **President & CEO**

1640 Adams Street and 100 Memorial View Court
Mankato, MN 56001
507-387-3055 / 800-247-0522
www.mnvalleyfcu.coop

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