From:	EVERETT GULL, JR
To:	_Regulatory Comments
Subject:	(PCA-RBC) Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Tuesday, April 15, 2014 10:40:52 AM

Dear Secretary of the Board Poliquin,

This is the first time I have written the National Credit Union Administration (NCUA) but, this proposed Prompt Corrective Action Risk-Based Capital regulation must be addressed. I am a credit union volunteer board member and official representing over 180,000 members. Serving on my credit unions' board has been rewarding knowing I do make a difference for our member's financial needs. We have grown our credit union to over 1.9 billion dollars in assets and provide a full range of financial services that help our members everyday.

I do agree with NCUA board member nominee Mr. J. Mark McWatters when he stated at his confirmation hearing that a risk-based capital approach "makes sense" for credit unions, but warned the "devil is in the details" of any proposal. Mr. McWatters added: The greatest opportunity for credit unions, the NCUA nominee asserted, "...is to continue doing what they are doing now. Credit unions' membership and loan base are growing, and many low-income credit unions have the chance to expand their mandate to those who are under banked and un-banked. Under banked and un-banked Americans need financial services at a reasonable rate."

The devil in this proposed regulation details is in the long-run by placing credit unions in a position other financial groups have been working on for many years 'Making Credit Unions Non-Completive' in the market place. And all we (Credit Unions) want to do is do what we are "doing now".

This proposed regulation will impede my credit union's ability to be competitive in the market place in providing sound and safe financial member services. Loan products impacted include; member/consumer lending, mortgage lending and the use of our collaborative CUSO. Saving products impacted include: reduced dividends on member shares and CDs. Because traditional ALM/ALCO strategies will be replaced with the new proposed regulatory balance sheet requirements all our products will be adversity effected.

Our ability to grow through expanded member services, new markets and locations, technological advances and competitive positioning will be directly and negatively impacted due to these proposed regulations. Growth is directly affected because my credit union will be required to withhold more earnings to adhere to the new proposed regulatory requirements and the addition capital set aside with no ability to raise supplemental capital directly effects members at their expense in total value and growth.

The credit union industry does need a smart and thought-full Risk Based Capital oversight but this is not it. To have a truly Risk Based Capital oversight NCUA should address each credit union based on how they do business not a regulation based on a one size fits all check-list and a computer calculator. NCUA should retain the skills and resources able to impose capital requirements on credit unions on a case by case basis.

As a board member we have developed a long-range strategic/business plan that has been successful and safely grown our credit union during a very challenging time period. We have been able to consolidate healthy and troubled credit unions. This has allowed the acquired credit unions to continue their legacy without disruption and the credit union members have been the benefactors. The proposed Risk-Based Capital regulation would require covered credit unions to subtract goodwill from net worth when calculating their risk based capital requirements. Goodwill should not be excluded from the calculation of the RBC numerator. Making this radical change will place my credit union in jeopardy. Based on NUCA's very pubic Risk-Based Calculator my 'Well Capitalized' credit union moves to 'Undercapitalized'. If Basel III has been the model for this proposal I need to point-out this proposal is not consistent with Basel III and can result in a negative impact on the National Credit Union Share Insurance Fund. By impeding these types of acquisitions with this proposed regulation of troubled credit unions the NCUSIF would be responsible for the entire expenditure of the distressed credit unions.

Changing the accounting reporting is not the answer to safety and soundness. The credit union industry currently adheres to a set of Generally Accepted Accounting Principles that has served the industry well. It does not make sense for NCUA to revert back to a new set of regulatory accounting and reporting requirements that are unique to credit unions when Basel III is the model.

An additional item of concern addresses the proposed time-line to raise the capital to become 'Well Capitalized'. Eighteen months is not realistic as it has taken us over five years to develop and execute our current strategic/business plan. The banks were given several years to comply with Basel III and credit unions should be given the same amount of time if the changes are as drastic as proposed.

My major concern is with my credit union members. If this new Risk-Based Capital regulation goes into effect, it will directly impact 180,000+ members. Every member's current value received in service, price, convenience and overall return will be negatively impacted.

I am hopeful NUCA will take the time and energy to pay attention to their credit union clients' comments and work with them to develop a Risk-Based Capital regulation all parties can use to the benefit of the credit union members today and well into the future.

Thank you for providing me an opportunity to remark on this new proposed Risk-Based Capital regulation.

E. L. GULL, JR.
VOLUNTEER BOARD MEMBER
CHARTWAY FEDERAL CREDIT UNION

Copy to:
Congressman Bobby Scott
Congressman Scott Rigell
Senator Timothy Kaine
Senator Mark Warner

Sincerely,

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