From:	Cathy Heidlebaugh
To:	_Regulatory Comments
Subject:	Risk Based Capital Rule
Date:	Friday, April 25, 2014 1:01:00 PM

Gerard Poliquin,
Secretary of the Board
National Credit union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

On behalf of ABNB Federal Credit Union, I would like to comment on the National Credit Union Administration (NCUA) proposed risk based capital rule. I appreciate the opportunity to provide my thoughts on this very far reaching regulatory proposal, to express some of my concerns about the potential negative impact of the proposed rule on credit unions if finalized in its current form and to offer some suggested improvements in the rule for your consideration as you move forward in the rulemaking process.

In general I support a conservative approach to capital reform. Risk based capital for credit unions has been on the table for a number of years. My concern is the current proposal is overly conservative and somewhat unwarranted given the history of credit union performance at large during the most recent economic crisis.

This regulation as proposed treats <u>all</u> credit unions as if they were <u>all</u> bad players without regard for their size, the level of experience within the organization and most importantly the past performance during difficult times.

To begin, for risk-based capital to be implemented correctly it must be part of overall capital and prompt corrective action reform. This should include lower leverage ratios for well and adequately capitalized credit unions, as well as authority for supplemental capital for federally insured credit unions. **T**here is no law or regulation that prevents supplemental capital from being considered for all credit unions. This regulation is an excellent opportunity for NCUA to draft and put into the final regulation the guidelines and specifications for credit unions to supplement their capital with subordinated debt or some other conservative capital building option.

Additionally, I believe the risk based capital requirements should be in relation to the adequately capitalized, 6 percent net worth ratio (as the Federal Credit Union Act requires), and not to the well capitalized level of 7 percent -- and risk weightings must be properly calibrated.

Most importantly, no rule should afford any greater authority for an individual examiner to impose additional capital requirements on a case-by-case basis. **.** It is absolutely essential that credit unions understand clearly what their capital and net worth expectations will be.

Under this proposal, an examiner can increase a credit union's individual risk-based capital requirement subjectively during an examination based upon his or her determination of the need for additional capital versus the balance sheet risk.

Finally, the effective date of the final rule implementation should be end of year 2018. Once the regulation is final credit union earnings will have to be balanced with the risk weighting of the assets. Some investments will have to be shortened. Some loans will have to be divested - or at least the position in those loan categories adjusted. Credit unions need a minimum of three full years to prepare for this regulation once it is finalized.

Thank you for the opportunity to comment on this proposed regulation. I support the efforts of NCUA to pursue a balanced risk-based capital system that requires additional capital of higher risk credit unions and rewards those credit unions with proven risk management skills. I do not believe the current proposal is balanced and should be withdrawn if it is not changed. I encourage NCUA to consider some of the recommended improvements to the proposal.

Respectfully,

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