Dakota West
CREDIT UNION

May 28, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314–3428

RE: Comments on NCUA Proposed Rule: Prompt Corrective Action—Risk-Based Capital

Dear Mr. Poliquin,

Thank you for this opportunity to provide comment to the National Credit Union Administration regarding its proposed rule – Prompt Corrective Action – Risk-based Capital. We are a state-chartered federally insured credit union located in western North Dakota. We have $218,226,714 in assets and serve approximately 9,375 members.

We do not agree with the proposed risk-weights, specifically, the proposed risk-weights for Member Business Loans (MBLs). This rule, if adopted as proposed, will have a devastating effect on our credit union. We would immediately drop from Well Capitalized, having a net worth of 8.14% with a 6.96% risk-based net worth requirement, to Adequately Capitalized, with a risk-based capital ratio of 8.00%. Currently we have a $2.5 million buffer above being well-capitalized. Under the proposed rule, this buffer is destroyed and it would drop to a negative $5.4 million to be well capitalized. Under Basel III for Small Banks, we would remain well capitalized and our buffer would only fall to $1.5 million.

This change not only immediately affects our credit union's balance sheet, but also our credit union's members as we will no longer be able to offer certain products and services. To come into compliance we would need to severely restrict our agricultural lending. This has a

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devastating impact on our ROA. The impact consecutively progresses throughout the organization affecting staff and ultimately affects the safety and soundness of our credit union. Because of this we already are considering closing two branches in communities with few to no other alternatives for financial services. One of those branches is on the Fort Berthold Indian Reservation.

Our credit union has been providing MBLs to our communities for the last 73 years. We are exempt from the MBL cap because our credit union was originally chartered for agricultural lending. Our MBLs are primarily agricultural loans, however we also serve our quickly growing community by providing much needed services in the Bakken oil development in western North Dakota. We are not engaged in highly speculative loans such as building contracts in other states for which we have no knowledge. We are helping our community members have safe and secure homes in which they can raise their families. We recently closed a house loan for a family unit that has been living in a recreational camper for the last four years which included living in it during our brutal North Dakota winters.

Our delinquencies for these MBLs have been extremely low, for example, over the last six years we have had loan charge offs that are 25% to 700% less than our peer group average.

We recommend that the NCUA adopt risk-weights for MBLs more in line with what is required for banks under Basel III, specifically 100% risk-weights for all MBLs and not a tiered approach based on the concentration of MBLs. Alternatively, should the NCUA deviate from what is required under Basel III, then the NCUA must recognize that not all MBLs are the same and different categories of MBLs carry different risk. Any final rule on risk-based capital requirements must reflect the differences present in the various categories of Member Business Loans.

Finally, any rule that the NCUA adopts needs to allow for ample implementation time. Eighteen months is much too short of a time frame to responsibly modify our balance sheet to come into compliance with a new risk-based capital rule. We recommend that the NCUA, at a minimum, provide 48 months to allow credit unions to implement any necessary changes to our balance sheet. One of the hardest things in managing a credit union is adapting to the winds of change. Little did I know that my regulator could cause the demise of our credit union.

Thank you for this opportunity to share our comments on this proposed rule.

Sincerely,

Denton Zubke, CEO
Dakota West Credit Union-62380