

**From:** [Bill Wade](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Bill Wade - Comments on Proposed Rule: PCA - Risk-Based Capital  
**Date:** Friday, May 02, 2014 2:01:15 PM

---

[This message was sent securely using ZixCorp.](#)

To: Mr. Gerard Poliquin  
Secretary to the NCUA Board  
1775 Duke Street  
Alexandria, VA 22314

From: Bill Wade, CEO  
Suntide Credit Union  
2141 Tuloso Rd., P.O. Box 10070  
Corpus Christi, TX 78460

Dear Mr. Poliquin:

On behalf of Suntide Credit Union, charter number 68628, I would like to offer the following comment letter on the proposed NCUA Risk Based Capital Rule.

Risk based capital is certainly an improvement over the 'one size fits all' current rule, and we applaud the movement toward a capital level based upon the proven risks in the credit union's business model, balance sheet, and management. However, we have serious concerns about the rule as currently written and appreciate this opportunity to express these concerns.

In section 702.105(b) there are enumerated many, some rather vague, situations under which an examiner could require a credit union to hold any amount of capital he or she decides. This includes such items as 'high degree of exposure to interest rate risk, prepayment risk, credit risk, concentration risk, certain risks arising from nontraditional activities or similar risks, or a high proportion of off balance sheet risks,' also 'poor liquidity or cash flow', 'growing as such a rate that supervisory problems are presented that are not adequately addressed by other NCUA regulations or other guidance,' 'a portfolio reflecting weak credit quality or a significant likelihood of financial loss,' and especially, 'the credit union's liquidity, capital, and other indicators of financial stability, particularly as compared with those of similarly situated credit unions.'

While these and the other issues enumerated in the section could indicate serious problems, by not requiring some proof through subjective quantification, they could also allow an examiner or supervisory examiner the opportunity to 'bully' a credit union.

The regulation gives the credit union no recourse, and leaves the entire issue up to the subjective opinion of the examiner.

The examiner should be required to have some objective evidence that these cases require more

capital and should have some requirement of proof when enforcing this part of the regulation. There should be limits on overall performance of the credit union before these broad areas are used. Also, there should be a clearly defined path of recourse the credit union has to argue it's case if they are in disagreement.

To allow these vague definitions to give examiners carte blanche to arbitrarily set a new capital requirement without reason or calculation means the he or she now holds the credit union's existence in his or her hand without them having any real recourse.

If examiners are required to show subjective proof and quantify items showing that these rules should be invoked, it would give the credit union the opportunity to agree with both the reasoning and the amount of increased capital being required. It would also give the credit union a basis to argue against their use, based on some actual facts and figures. Without any subjective evidence, there is no opportunity to argue against the use of these parts of the rule.

NCUA has a wide variety of examiners, with varying skills, abilities, and attitudes. This rule is potentially too much of a loaded gun aimed at anyone who dares to disagree with some of them.

I appreciate your willingness to allow Suntide Credit Union to comment on this. Please consider our concerns. I believe only minor improvements in this area would allay a great deal of the concerns of many credit unions over the potential impact of this rule. It is critical to the credit union industry that boards and management of credit unions be allowed the decision of how to effectively manage the risk necessarily involved in serving our members. We must manage risk, not avoid, or even minimize risk.

Thank you again for your kind attention, and if I can be of any assistance to you in this matter, please feel free to contact me at any time.

Sincerely,

Bill Wade, CEO

Suntide Credit Union

---

This message was secured by [ZixCorp<sup>\(R\)</sup>](#).