Northern Star
Credit Union
Your Future Starts Here

May 1, 2014

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

Dear Mr. Poliquin:

We are writing on behalf of Northern Star Credit Union in regard to the Risk-Based Capital rule proposed by the NCUA. We would note that the issue of appropriate risk-based capital has been under consideration for years and we appreciate the NCUA's efforts to use this proposal as a vehicle to begin the discussion, evaluation, amending and correcting towards a final rule that benefits all parties. The NCUA's overall goal to establish a rule that "is more consistent with the risk-based capital measures used by the Other Federal Banking Regulatory Agencies" is laudable.

Unfortunately, the proposal as presented does not meet the goal established by the NCUA for itself. If one reviews the risk-based categories established by the FDIC one will not find a category that exceeds 100%. This maximum 100% category includes Sovereign Debt, Unrated Securitization positions, Covered Hedge positions and Commodity positions to name a few. It would appear safe to conclude that these asset categories risk levels would in all likelihood exceed the assets held by the overwhelming majority, if not all, credit unions. Yet, the proposed rule establishes 10 credit union risk categories of which half are in excess of the 100% level, with Category 10 being 1,250%.

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In an effort to evaluate consistency with the other FFIEC risk standards Northern Star applied the FDIC risk-based model to the Balance Sheet as of March 31, 2014. While we understand that this process was an estimate and some variation would probably be likely as certain assets were re-classified, the initial results reflect an unexplainable variation if the Consistency goal is applied. Under the rule as proposed by the NCUA, Northern Star's risk-based capital ratio as of 3/31/14 would be 11.10%. Based on the initial calculations under the FDIC system Northern Star's risk-based capital ratio would be 16.55%. While we understand that certain structural differences exists, particularly as it relates to access to capital markets, a difference of 545 basis points can only be characterized as excessive at best.

As has been noted by other commenters, the issues of implementation period, treatment of goodwill and CUSO's and the ability of examiners to make capital requirement adjustments at their discretion all need to be addressed. But, at its' foundation the rule should not establish levels (i.e. over 100%) that would impede if not preclude the ability of the industry to grow and generate net income. We trust that as a part of the revisions and rewriting of this rule the NCUA will apply the attribute attributed to the Hippocratic Oath--------

First Do No Harm.

Sincerely,

Roger E. Early
President/CEO