



www.townandcountry.org  
e-mail: info@townandcountry.org

May 1, 2014

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

MAY 05 '14 PM 1:43 BOARD

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

Dear Mr. Poliquin,

I am writing on behalf of Town and Country Credit Union (TCCU). TCCU is a community chartered credit union which serves a 75-mile radius of Minot, North Dakota, a 50-mile radius of Kenmare, North Dakota, and a 50-mile radius of Fargo, North Dakota. TCCU currently has 17,300 members and \$350 million in assets. TCCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

TCCU would be adversely affected in several ways and in turn our members would be adversely affected by the proposed rule. Under the proposed rule as written TCCU would drop from a well-capitalized credit union to an adequately capitalized credit union. This would require TCCU to slow our growth and change our balance sheet structure to return to being considered well capitalized. How would our balance sheet structure change? We would have to limit our member business loan growth or possibly discontinue making member business loans. Due to this proposed rule, we would most likely have to limit our deposit growth, increase interest rates on loans, and implement additional fees in order to improve profitability all in an effort to return TCCU to a well capitalized credit union.

TCCU does not agree that the new proposal is necessary and would hope NCUA would re-evaluate their position on this proposed rule. Developing a one-size-fits-all model is not the best answer. NCUA, as the regulator and insurer, should supervise those credit unions who are not managing risk on the balance sheet appropriately on an individual basis. Why should the whole industry suffer by this one size fits all capital matrix defining risk?

MINOT OFFICE: (MAIN) 615 S. Broadway • PO Box 2046 • Minot, ND 58702 • Phone 701-852-2018 • Fax 701-852-2031 • Toll Free 1-800-872-6358  
MINOT OFFICE: (BRANCH) 3630 S. Broadway, Suite B • Minot, ND 58701 • Phone 701-852-8300 • Fax 701-852-8301  
KENMARE OFFICE: (BRANCH) PO Box 757 • Kenmare, ND 58746 • Phone 701-385-4051 • Fax 701-385-4644  
FARGO OFFICE: (BRANCH) 815 25th St. South • Fargo, ND 58103 • Phone 701-356-1720 • Fax 701-356-1721  
FARGO OFFICE: (BRANCH) MeritCare Medical Center • 720 4th St. North • Fargo, ND 58102 • Phone 701-356-1750 • Fax 701-356-1751  
FARGO OFFICE: (BRANCH) 1501 32nd Ave S • Fargo, ND 58103 • Phone 701-356-1800 • Fax 701-356-1719  
WEST FARGO OFFICE: (BRANCH) 925 14th Ave E • West Fargo, ND 58078 • Phone 701-356-1760 • Fax 701-356-1761



Individual credit unions have varying degrees of expertise and tools to manage risk. If a credit union is not managing risk appropriately, that individual credit union should be held accountable by NCUA.

In addition, TCCU is not certain how the various risk weightings were developed in the proposed regulation, but believes the proposed matrix leaves many questions that need to be answered. One example, in TCCU's case, is TCCU could sell performing well collateralized 5-year balloon agricultural real estate loans and purchase 30-year fixed rate delinquent consumer real estate loans and our risk based net worth position actually increased based on the proposed risk based capital matrix.

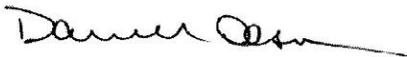
Also, NCUA's timeline for implementation is very aggressive. Our understanding is the banking industry had several years to implement their new capital requirements. As TCCU understands the proposed rule, there will be no phase-in period. We understand that the rule might not take effect for up to two years, but as of now we do not know what the final rule will be. Banks were given upwards of four years to raise their capital levels to meet their new capital requirements and they have the ability to raise additional capital and credit unions do not.

Additionally, in reviewing the banking BASEL requirements, NCUA's proposed regulation would appear to be considerably more restrictive than the banking industry, especially in the area of member business lending (MBL). TCCU's understanding is at the high end of MBL lending the proposed regulation is twice what is required of a bank. TCCU is not sure why NCUA would adopt stricter rules than the banking industry.

In summary, TCCU believes there are many questions still surrounding this proposed regulation. We understand this is the first draft and hopefully with comments from the industry NCUA will come up with a much better final rule. TCCU believes we have managed the risks on our balance sheet in a prudent safe manner while balancing the needs of our members with the needs of our regulators and insurers. We make loans to hard working people who have paid the credit union back. That is how TCCU has increased our current net capital ratio to in excess of 12%.

TCCU thanks you for the opportunity to comment on this proposed rule and for considering our views on risk-based capital requirements.

Sincerely,



Darrell Olson

President

Town & Country Credit Union