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April 29th, 2014

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

MAY05'14 AM10:40 BOARD

Dear Mr. Poliquin,

Thank you for allowing me the opportunity to comment on the proposed rule Prompt Corrective Action – Risk Based Capital. While I support requirements for credit unions to be financially strong, I believe this proposal could have detrimental effects to the growth of the credit union industry.

Central Minnesota Credit Union is a community based credit union with assets of $827 million, over 50,000 members, and 17 branch locations within 18 counties. Established in 1939, Central Minnesota Credit Union has been serving the members for 75 years and continues to be a growing and strong financial institution. Central Minnesota Credit Union has completed two mergers and one assumption of other financially stressed or failing credit unions in Minnesota. The impact of the risk based capital proposals will affect our desire to assist with future mergers/assumptions of troubled credit unions as aspects of the proposed rule could be detrimental to our capital adequacy.

The proposed rule states that the method of calculating risk-based capital would be generally consistent with the methods used in other sectors of the financial services industry. This does not appear to be the case when comparing the risk weights assigned to various assets between NCUA proposed guidelines and those in the Capital Rule adopted by the other federal banking agencies. Central Minnesota Credit Union Risk based capital under the proposed regulations would be 11.87% as of the March 31, 2014 call report. Using the risk weights for the federal banking agencies, Central Minnesota Credit Union risk-based capital would be 16.68%. A difference of almost 5% doesn't appear to be consistent within the industry as the proposed rule states. Given these inconsistencies we may see a trend develop in the credit union industry where credit unions convert to banks as a result of the proposed changes.

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The risk weighting assigned to the investments should be based on the type of investment and the credit risk associated with it instead of the length of the investment focusing only on interest rate risk. For example, a Certificate of Deposit that is greater than 12 months in maturity and is fully insured by FDIC or NCUA is risk weighted at 50%. The credit risk is non-existent and the interest rate risk is minimal. The proposed risk weighting does not reflect the credit risk associated with investments.

I would like NCUA to review and reconsider the proposed regulation and modify it for consistency with the banking industry. Thank you for considering my view on the risk based capital requirements.

Respectfully submitted,

Nancy L Roske

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