State Employees' Credit Union

Administrative Offices

May 7, 2014

Mr. Gerard Poliquin
Secretary, NCUA Board
1775 Duke Street
Alexandria, VA 22314-3428

REF: Risk-Based Capital: Commenting on Your Future –
Part 6: MAKING DELINQUENCY "INCOMPARABLE"...

Dear Mr. Poliquin:

NCUA has festooned the proposed risk-based capital (RBC) rule with such a wide-range of missteps that it's easy to become discouraged. Who were *"the experts"* who drafted this proposal? *What were they thinking?* **Where is the data to support their lack of reasoning?** How did this rule pass muster with the NCUA Board?

Here's another bizarre discrepancy in the proposed RBC rule vis-a-vis other federally-insured depositories:

Risk Capital Required for Delinquent Loans:

Banks:	**150%**
Credit Unions:	**150%**

So? If the risk-based capital percentages required for banks and credit unions are "the same" (150%), how are credit unions penalized?

Because NCUA has chosen to define the benchmark for a CU delinquent loan to be all loans which are 60 days past due. Under the banking benchmark a loan is considered delinquent at a bank when it becomes 90 days past due.

Logically, every institution's > 60 day delinquency will always be higher than its > 90 day delinquency - right?! *(Absolutely!)* Why would NCUA penalize credit unions by requiring this extra capital charge on delinquent loans between 60 and 90 days?

Perhaps of even greater significance, NCUA's insupportable, bad habit of reporting aggregate credit union delinquency levels based on 60 days vs. the banks 90 days, often gives comparative

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observers - *such as Congress, the press, and the public* - the false impression that credit unions are experiencing higher levels of delinquency and have weaker loan portfolios, than our for-profit peers.

There is an abundance of independent, factual data available which confirms that credit union loan portfolios have historically out-performed lending portfolios at for-profit banks in terms of safety and soundness.

Why is NCUA encouraging this false impression of the soundness of credit union lending portfolios? Why should NCUA want credit unions to appear weaker to the outside world?

Sincerely,

James C. Blaine
President

JCB/ji