

May 7, 2014

Mr. Gerald Poliquin  
Secretary to the Board  
NCUA  
1775 Duke Street  
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

Previously I submitted comments suggesting that the proposed Risk Based Capital (RBC) system was unnecessary in light of the historical performance of the existing credit union Tier One capital requirements and the NCUA 17-4 risk based analysis tool. Basically, I take the position that "if it ain't broke, don't fix it" and I recommend the "KISS" method...Keep It Simple Stupid. However, knowing that a more complex risk based capital system will likely be imposed on us, I wish to recommend several changes:

1. None of the risk weights should be higher than banks unless specific analytics demonstrate that credit unions engage in more risky behavior compared to community banks.
2. Do not use risk weighting to manage concentration and interest rate risk. While the RBC system is more comprehensive, it is still a very crude tool for such risk management. Credit unions and NCUA both have better tools for this purpose.
3. The 1% deposit at the NCUSIF should be restored to its rightful place in the numerator and denominator. That 1% belongs to each individual credit union and should be included in evaluating the overall risk analysis of each individual credit union. Simply ask yourself a couple of questions; if the credit union is liquidated, where does the 1% go? And, if a credit union switches to a bank charter, where does the 1% go? In both cases, it belongs to the credit union not the NCUSIF. The 30 basis points over and above the 1% deposit belongs to the NCUSIF.
4. Make the use of any RBC system an internal tool for identifying possible risk related issues. Publishing them for public consumption may misinform the public. If you insist on using it publicly, as proposed, the weightings should be the same as banks in order not to confuse or mislead the public.

5. The overall target for RBC should not exceed 10%. Most financial experts would agree that it is the credit unions 7% tier one capital requirement (40% higher than banks) that provides the real buffer in times of economic stress. The recent economic meltdown demonstrated that fully.
  
6. Overall, credit unions have been excellent stewards of their members' money and imposing a RBC system that penalizes many for the mistakes of a few is wrong.

In addition to my comments above, I would like to incorporate by reference the comments of Mary Dunn at CUNA dated April 1<sup>st</sup>, Dam Kampen at Bellco CU dated April 16<sup>th</sup>, Charles Bruen at First Entertainment CU dated April 4<sup>th</sup> and Tony Budet at University FCU dated April 3<sup>rd</sup>.

Sincerely,



R. Marshall Boutwell  
President/CEO