



May 8, 2014

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

**REF: Risk-Based Capital: Commenting on Your Future –
Part 7: A LACK OF SECONDARY CAPITAL AND
REGULATORY CREDIBILITY ON THE HILL?**

Dear Mr. Poliquin:

Guess you think this has become the regulatory comment version of the movie "*Ground Hog Day*".

Well, in a sense that is exactly what NCUA's risk-based capital (RBC) proposal has proved to be - a continuing loop of repeated missteps by the Agency, seemingly unmoved and undeterred by across-the-board calls for further explanation, balanced analysis and extensive open dialogue on this highly impaired proposed rule.

Our list of RBC "*bloopers and blunders*" so far includes CU punitive capital requirements on mortgages, MBLs, GSE and local government investments, Fed deposits, and NCUSIF balances. On top of that, we added NCUA's less than transparent - *and definitely "ham-handed"*- attempts to unilaterally rewrite the Federal statutory definitions of net worth, complexity/risk-based net worth (RBNW), and prompt corrective action (PCA) without Congressional consent.

Other than that, everything is OK except...

... the most glaring and embarrassing misstep of all:

The absence of a provision for supplemental capital for all credit unions.

Whether one is a fan of supplemental capital or not, it is a key component of the risk-based capital structure of all other insured depository institutions. Supplemental capital is not a political issue, it is not a competitive issue, it is not a philosophical issue.

Supplemental capital is a core, fundamental, safety and soundness issue for credit unions - and NCUA has "*missed*" yet again in excluding supplemental capital provisions in the proposed rule.

That supplemental capital is not in NCUA's proposed RBC rule can only mean that the Agency has zero credibility on the Hill. Why would Congress not want a greater capital cushion available

Mr. Gerard Poliquin
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Page 2

for credit unions in "countercyclical times"- especially when NCUA is mandating a "capital buffer" of 2.5% in the RBC proposal?

And, what is the difference between supplemental capital in corporate or "low income" credit unions and "natural person credit unions"?

The Agency has claimed in the past "statutory" limitations in expanding supplemental capital authority to all credit unions. If true, why can't NCUA just rewrite the federal statute on supplemental capital as it has proposed to do for net worth, complexity, RBNW, and capital definitions?

Does anyone believe that Congress doesn't want credit unions to be highly capitalized, safe and sound? Then why did Congress pass Dodd-Frank and why is NCUA wasting time with this rule?

The absence of supplemental capital is another incredible missed opportunity by the Agency for greater safety and soundness for all credit unions.

Sincerely,



James C. Blaine
President

JCB/ji