From:	Robert Bava
To:	_Regulatory Comments
Cc:	Gary KLOTZ; Jody Dabrowski; Carol Wells
Subject:	Rob Bava - Comments on Proposed Rule: PCA-Risk-Based
Date:	Friday, May 09, 2014 5:00:59 PM

Thank you for the opportunity to comment on the Risk Based Capital (RBC) proposal. We are Community Choice Credit Union with $531 million in assets, 50,000+ members, and 8 branches in the Detroit metropolitan area.

We support NCUA's position of updating the capital requirements to more closely align with the standards of the banking industry. However, the Federal Credit Union Act requires you to consider the nature of credit unions in the rule making process. Access to capital is a unique feature of credit unions, and this must be top of mind when creating the new Risk Based Capital requirements. While efforts to implement supplemental capital options for all credit unions is a consideration, such a regulatory change most likely would not impact our credit union's capital position in time to meet the proposed effective date of 12-18 months from approval of the RBC changes.

Our biggest concern is the risk weightings and the impact this will have on serving our members as we structure our balance sheet to maintain our well capitalized position. We would like to comment on the following areas and ask for your consideration prior to finalizing this rule:

Allowance for Loan and Lease Losses

The cap of 1.25% of risk assets ought to be eliminated. The Allowance account represents capital retained and available to meet losses and should be accounted for at full value in the calculation. In addition, it is estimated that the proposed FASB rule changes relating to the allowance account may result in credit unions having to significantly increase the allowance account. Requiring credit unions to bump up the allowance account and then reduce the amount available for the RBC calculation raises the risk weights for loans beyond reason.

> **Impact to Community Choice Credit Union:** As of December 31, 2013, 1.25% of assets amounted to $4,723,054. Our allowance account had a balance of $5,949,391 resulting in $1.2 million of capital not accounted for under the proposed RBC rule.

Member Business Loans

The proposed risk weights for member business loans should not double based on the percentage of assets such loans represent. The concentration of business loans does not directly relate to their risk. Accordingly, the NCUA ought to propose the same risk weight of 100% that is applied to small business loans for small banks under the Basel weights, regardless of the outstanding dollar amount held.

> **Impact to Community Choice Credit Union:** As of December 31, 2013, our member business loans equaled 10% of our total assets. We desire to grow our portfolio, as this is an area of expertise within our credit union, but capital requirement restraints could impact the pace of growth, as well as the dollar amount of available lines of credit we would be willing to open.

CUSO Investments

The risk weight of 250% for CUSO investments is excessive. Placing CUSO investments in category 9 with the highest level of risk assigned undermines the very reason CUSOs exist -- to create capital for the credit unions that the CUSOs serve. In addition, assigning such an excessive weight without consideration of the amount of income generated to offset the investment, the operational savings incurred through the use of the CUSO, or the financial state of the CUSO appears short sighted. Unfortunately, the proposed risk weight will inevitably discourage investment in CUSOs.

> **Impact to Community Choice Credit Union:** We currently are an owner/investor in four CUSOs, all of which provide a solid return for us (combined 20% in 2013). The potential to be required to hold such high levels of capital because of these strategic and profitable partnerships may result in unintended consequences. The potential reduction or impairment of this important stream of non interest income would be detrimental to us. Restructuring CUSO relationships for the sake of RBC should never be a driving force within our industry.

Examiner Subjectivity

Finally, we would like to see more structure to the examiner subjectivity contained in the rule. Allowing examiners to require additional capital should be supported within well defined guidelines and require approval from the regional office.

Thank you for the opportunity to comment and provide insight into the Risk Based Capital Proposed rule.

Sincerely,

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