

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

MAY12'14 PM 2:34 BOARD

Dear Mr. Poliquin:

I am writing this letter because I have a responsibility to over 180,000 members who elected me to serve them and meet their financial needs. The Prompt Corrective Action Risk-Based Capital (RBC) proposed regulation puts their credit union relationship at risk by impeding my credit union's ability to be competitive in the market place in providing sound and safe financial member services.

I do agree with the credit union industry that the industry needs a smart and thoughtful Risk Based Capital oversight but this proposed regulation is not it. After reviewing NCUA's feel-good calculator, I started looking at the many pages of the proposed regulation and listening to credit union leaders; what I discovered was extremely troubling. This proposed regulation will impede my credit union's ability to be competitive in the market place in providing sound and safe financial member services. Loan products impacted include member/consumer lending, mortgage lending, and the use of our collaborative CUSO. Saving products impacted include reduced dividends on member shares and CDs. All of our credit union products will be adversely effected because traditional ALM/ALCO strategies will be replaced with the new proposed regulatory balance sheet requirements.

The proposed Risk-Based Capital regulation would require covered credit unions to subtract goodwill from net worth when calculating their risk based capital requirements. Goodwill should not be excluded from the calculation of the RBC numerator. Making this radical change will place my credit union in jeopardy. Based on NCUA's very public Risk-Based Calculator my 'Well Capitalized' credit union moves to 'Undercapitalized'. If Basel III has been the model for this proposal I need to point out this proposal is not consistent with Basel III and can result in a negative impact on the National Credit Union Share Insurance Fund. By impeding these types of acquisitions with this proposed regulation of troubled credit unions the NCUSIF would be responsible for the entire expenditure of the distressed credit unions.

Other areas of the proposed regulation that I have concerns with include:

- NCUA would assume additional authority to impose even higher capital requirements on individual credit unions that could exceed even well-capitalized level requirements

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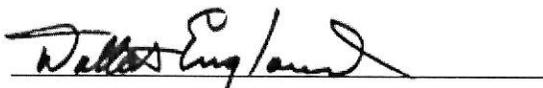
- NCUA would also require the National Credit Union Share Insurance Fund 1% deposit to be ignored in the risk-based capital calculation
- More credit unions than NCUA have indicated that they would be impacted as their net worth would fall to just barely over well-capitalized or adequately capitalized levels
- More time is needed for the rule to be phased in; the banks have been given years not months to move to Basel III
- A number of the risk weightings, especially for member business loans and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities

If this new Risk-Based Capital regulation goes into effect, it will directly impact my 180,000+ members. Every member's current value received in service, price, convenience, and overall return will be negatively impacted.

I am asking that NCUA take the time and energy to pay attention to their credit union clients' comments and work with them to develop a Risk-Based Capital regulation that all parties can use to the benefit of the credit union members today and well into the future.

Thank you for providing me an opportunity to remark on this new proposed Risk-Based Capital regulation.

Sincerely,

A handwritten signature in black ink, appearing to read "Dallas E. England", written over a horizontal line.

Mr. Dallas E. England  
Director  
Chartway Federal Credit Union