From: Kyle Karnes
To: _Regulatory Comments
Subject: Risk-Based Capital Comment
Date: Monday, May 12, 2014 9:00:17 AM

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From: Kyle Karnes
CU*Answers

05/12/2014

Dear Mr. Poliquin:

I am an employee of a cooperative CUSO serving over 200 credit unions nationwide. A new rule that NCUA is proposing relative to risk-based capital was brought to my attention recently and has me genuinely concerned for my CUSO, our owners, and the members they serve.

Chief among those concerns is the requirement that our credit union owners set aside two and one half times the value of the investment in our CUSO for capital. I understand that past investments in CUSOs have resulted in losses for credit unions and the NCUA, but our CUSO has performed strongly since its formation in 1970. We are very well-capitalized and pay patronage dividends almost every year—and this doesn't even account for the net income generated for credit unions by cooperatively bargained, reduced pricing! The proposed risk-based weighting would limit our clients' ability to invest in our CUSO and the subsequent sharing of its annual profits. A harsh, blanket approach to regulating credit union CUSO investments simply does not make sense, and I strongly encourage the NCUA to reconsider the Risk-Based Capital proposal, especially as it relates to CUSO investments.

Kyle Karnes
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