

**From:** [Kim Westphal](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Prompt Corrective Action Risk-Based Capital Comment Letter  
**Date:** Monday, May 12, 2014 6:10:06 PM

---

Dear Secretary of the Board Poliquin,

I am writing on behalf of Home Town Federal Credit Union which serves Steele, Rice, Dodge, and Waseca Counties in Minnesota. We have 16,000 Members and \$113M in assets. Home Town Federal Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Home Town Federal Credit Union supports updating the credit union regulatory capital system to better reflect risk, however we do not believe the requirements should be limited to credit unions larger than \$50M in assets, as safety and soundness are critical to credit unions of all sizes. We believe NCUA should design a risk-based capital program that takes into account material risks at credit unions and considers the operation of the credit union, and that NCUA should conduct further analysis to determine appropriate levels of risk weights to apply to specified assets. For example, the weighting for money held in overnight and insured deposits is excessive, along with the weighting for investments in a CUSO.

We are also concerned with how high the Well Capitalized target levels have been set. Although Home Town Federal Credit Union would remain well capitalized under the proposed rule, as we consider increasing our concentration of assets in real estate loans and business loans in the future this could have a negative impact on our risk-based capital ratio, which in turn could limit the real estate and business lending services we provide to our members.

The process that allows an NCUA examiner to require a credit union to hold higher levels of risk-based capital based on supervisory concerns is too subjective, and there needs to be a formal appeals process.

Home Town Federal Credit Union believes the implementation time frame of 12-18 months needs to be extended, so those credit unions that have been considered well capitalized based on the old calculation have sufficient time for implementation if they are no longer well capitalized under the new rule.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Kim Westphal, CEO  
2400 W Bridge St  
Owatonna, MN 55060