

**From:** [Curt Perry](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Prompt Corrective Action; Risk Based Capital Comments  
**Date:** Tuesday, May 13, 2014 2:31:42 PM  
**Attachments:** [image001.png](#)

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Mr. Poliquin,

Prudent risk management is far too complex to be reduced to arbitrary "one size fits all" risk weightings. Even the NCUA Board has stated time after time that a one size fits all approach isn't prudent. This proposed approach would be a disservice to the credit union industry, and would be far from prudent risk management or effective rule making. It simply isn't possible to standardize risk weightings to "include all material risks" which is one of your stated objectives. And if you are incorrect with your weightings, you cause irreparable damage to the industry that you regulate. Why are we trying to mold ourselves after industry standards or banking regulations, when the banks were impacted much worse than credit unions during the economic downturn?

Regardless of risk weightings, this proposed rule will not accomplish what it states. It will fail to provide boards, management teams, or regulators with an early warning system with respect to safety and soundness. Not only would it fall short with early warning systems, but it would strategically handcuff well run credit unions. So in the end, credit unions would be far worse off, and the banks would be thrilled with your solution. The greater the number of well-run and handcuffed credit unions... the greater the number of irrelevant institutions. And in the end, millions of consumers served by our industry become collateral damage based on an arbitrary approach. Besides the fact that NCUA would still need to answer how a regulator can knowingly write a rule, and enforce a rule, that does not achieve the intended objectives of the rule. Your proposed rule would be a game changer for the credit union industry.

My recommendation is that the NCUA Board abandon the entire proposed rule and simply leave the current risk based net worth requirement in place. The proposed rule isn't even consistent with the intent of the Prompt Corrective Action version in place since 1998. The proposed rule also exceeds the authority conveyed to NCUA under the Federal Credit Union Act (12 U.S.C. 1790d(d)(2)). To be brutally honest, I am surprised by the fact that we even need to spell out the deficiencies and short comings of this proposal and what it would mean to our industry.

Sincerely,

Curt Perry  
President/CEO  
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