May 13, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

VIA ELECTRONIC DELIVERY: regcomments@ncua.gov

RE: Prompt Corrective Action - Risk-Based Capital; RIN 3133-AD77

Dear Mr. Poliquin:

Please accept this correspondence as commentary concerning the National Credit Union Administration's (NCUA's) recently issued proposed rule to establish risk-based capital requirements for federally-insured credit unions. Central Minnesota Credit Union (CMCU) appreciates the opportunity to comment on the risk-based capital ("RBC") proposed rule.

CMCU is a community based credit union with assets of $827 million, over 50,000 members, and 17 branch locations within 18 counties covering the state of Minnesota. Established in 1939, CMCU has been serving members for 75 years, and continues to be a growing and strong financial institution.

During the last 75 years in business CMCU has established deep roots within the agricultural industries, small business, and the average person that makes up Central Minnesota. It is through these roots that we have been able to effectively manage the credit union through strong and challenging economic times. CMCU has completed two mergers and one assumption of financially stressed credit unions in Minnesota. The impact of the risk based capital proposals will negatively affect our ability to operate as we have for the last 75 years. Under the proposed RBC rule future mergers/assumptions of troubled credit unions, as well as our ability to provide members with MBL and agricultural loans would be threatened, which is all due to the impact to our capital adequacy.

NCUA should take into consideration credit unions providing agricultural loans, particularly those credit unions permitted to lend above the MBL cap. CMCU is one of these credit unions and has been allowed to exceed the MBL cap because of their significant lending for agricultural purposes. Failing to take into consideration this subset of MBLs is a cause for serious concern for CMCU and their ability to continue offering products to the agricultural community.

Although similarities exist between the risk weights of the proposed rule and the Basel III requirements for banks, the RBC proposed requirements are much more restrictive, almost to the point of being punitive. In comparing the categories and their risk weightings, credit unions under the proposed rule will generally fall under higher risk-weight requirements than those required for banks in the same asset categories.

The following is an example of differences in risk weightings between CMCU (applying the proposed rule) and a bank using the same numbers as CMCU under the current Basel III requirements:

Member Business Loans (MBL)	**CMCU**	Risk Weight	Risk Asset Calculation
<15% of Assets	$124,180,159	1.00	$124,180,159
Excess of 15 to 25% of Assets	$82,786,472	**1.50**	$124,179,708
Excess of 25% of Assets	$215,368,679	**2.00**	$430,737,358

Bank	Risk Asset Calculation
1.00	$124,180,159
1.00	$82,786,472
1.00	$215,368,679

- As you can see MBLs show the most extreme differentiation between credit unions and banks. The risk weight for MBLs for credit unions begins at 100%, and increases up to 200% based upon concentration levels, yet banks under Basel III are again static at 100%.

Net results of the above spreadsheet analysis would create a capital disparity of 33,000,000 when compared to a bank. This would impact CMCU's ability to serve our members into the future due to loan concentrations in MBL's needing to be reduced in order to meet a well-capitalized or possibly adequately capitalized status.

CMCU has serious concerns with these disparities. This disproportionate treatment will unquestionably cause a competitive disadvantage for credit unions, resulting in restricted lending for MBLs, agricultural loans and consumer mortgage loans.

No RBC system can be created that will hedge all risks and account for all potential loss scenarios. Regardless of best efforts on NCUA's part, there will continue to be credit unions that fail due to events outside of NCUA's control. However, CMCU must continue to be permitted to develop appropriate services and strategic plans that best serve its membership.

It is our belief that this proposed rule should be abandoned, or at a minimum be tabled until further research can be completed to fully understand its impact on the industry.

If you would like to have further discussions or have any questions please do not hesitate to contact me at 888.330.8482.

Sincerely,

Jason MacDonald
Vice President of Information Technology
Central Minnesota Credit Union