Accentra Credit Union

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May 15, 2014

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

RE: Prompt Corrective Action – Risk-Based Capital

Dear Mr. Poliquin:

I am writing on behalf of Accentra Credit Union. We serve the communities of Austin and Albert Lea, Minnesota in Southeastern Minnesota. Our assets are approximately $115 million and our membership is over 13,000. I appreciate the opportunity to comment to the National Credit Union Administration (NCUA) on the above referenced proposed rule.

I just want to address how the proposed risk-based capital rule is likely to negatively affect the service we provide to our members and our long-term profitability. The weightings on real estate loans are an area that can have significant impact on the services we offer our members. The simplistic way the risk weightings are applied to real estate loans does not give consideration to the way we underwrite or structure the real estate loans we keep in our portfolio. The proposed rule has the unintended (or intended) consequence of fewer portfolio loans being offered to our members.

The same can be said for our member business lending services. I was a commercial banker for 25 years before I joined Accentra Credit Union. The benefits we offer our members and our communities through member business lending are substantial. The blanket risk weightings on member business lending do not give consideration to how we mitigate risk through prudent underwriting. The manner in which we structure our business loans further mitigates risk and our advance rates are typically lower than advance rates allowable under NCUA guidelines.

Limiting our ability to offer the above two services, due to restrictive risk weighting, greatly affects the value we bring to our membership and only serves to make us less competitive in our marketplace. Not being able to realize a greater return on these portions of our balance sheet will lessen our ability to generate revenue. Restricting our ability to generate more revenue will have a negative affect on our growth in capital and thereby produce the opposite of the stated objective of the proposed rule.

The 18-month implementation period for the proposed rule is also concerning. This short timeframe could compel credit unions to sacrifice long-term strategic priorities to meet the restrictive short-term measures in the proposed rule. It is never a good thing for a financial institution to sacrifice long-term goals and profitability to meet a short-term need. The health of credit unions and our industry requires longer vision than 18-months.

I view the NCUA as a partner with my credit union; helping us to move forward, grow stronger and collectively strengthen the industry. If there is concentration or interest rate risk issues with certain credit unions, then deal with them directly. I ask that you do not burden and weaken all credit unions by implementing this proposed regulation as written.

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

Sincerely,

Paul G. Knorr
President/CEO