From:	Cynthia Tejera
To:	_Regulatory Comments
Subject:	NCUA"s Risk-Based Capital Proposal
Date:	Thursday, May 15, 2014 5:02:57 PM
Attachments:	image002.png image003.png

May 15, 2014
Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Re: Resource One Comments on Proposed Rule: PCA – Risk-Based Capital
Dear Mr. Poliquin:

As an employee of Resource One, I would like to take the time to address my personal concerns regarding the proposed Risk-Based Capital Rule. While I support the requirements for credit unions to be financially healthy, the proposal would instead have an adverse effect on the movement. I would like to express my concerns and offer the following comments with the intent to improve the proposal:
Current System:

• The current system works, credit unions came through the last Recession, the worst financial crisis since the Great Depression, just fine. Resource One has long demonstrated consistent growth since it was originally chartered. Although I believe the NCUA is making motions to improve capital risk within the credit union movement, there seems to be flaws in its current state.

• Credit Unions have survived various economic downturns, such as the last Recession. Why is more capital needed, if with the Recession, we proved that the movement had adequate capital? The excess capital will come at the expense of our members.

• While credit unions fared well during the recession, banks stopped lending. The NCUA should not impose more stringent RBC requirements than banks. Credit unions will continue to endure and reap the benefits that banks cannot.

• Credit unions came through the last Recession in 2007-08, the largest recession since the Great Depression just fine, without the needing one penny of taxpayers' dollars.

• The National Credit Union Administration has not demonstrated problems related to current prompt corrective action (PCA) regulation, other than a few isolated incidents. Credit unions have long positioned themselves to be able to withstand economic hardships. The RBC proposal is hurting instead of helping the financial health of credit unions.
Investments:

• Regarding the proposal's risk-based metrics for investment maturities. This measure eliminates credit unions from appropriately managing its own maturity and interest rate risk.

• The proposed RBC regulation uses risk weights to compensate for interest rate risk with the investment risk weights. There are different proposed risk weights for investments based on the maturity levels of those investments. Although the risk weights would be fixed, the level of interest rate risk would vary depending on the economy.

• Most investments, especially those with life in excess of five years are normally classified as "available for sale" for accounting purposes and require regular market value adjustments against the credit union's equity. Since they are already accounted for at fair market value, the 150% risk rate seems excessive.

NCUSIF:

• Regarding the exclusion NCUSIF deposit in the risk-based calculation, seems unusual that it is treated as having no value when so much has been done to preserve the integrity of the fund. This needs to be reconsidered and reassessed.

• NCUA needs to reconsider the deductions of the NCUSIF deposit from equity. The proposal implies that the deposit is insignificant and should be expensed versus the current method of capitalizing the deposit. It becomes more difficult to prove the asset has forthcoming economic value when it carries no value within the proposal calculation.

• Subtracting the NCUSIF Capitalization Deposit from both the capital and risk weighted asset totals is equivalent to writing off the deposit. How can it hold financial value if it has no significance in the regulatory capital ratio calculation?

• The credit union's NCUSIF is carried as another asset on our balance sheet but is completely eliminated from the proposed RBC proposal. The proposal implies that NCUA recognizes an implicit devaluation of the asset.

In summary, we believe the proposal as written has technical flaws as discussed, which could limit much needed credit to members. Thank you for your time and for allowing me to comment on the RBC proposal.

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