CENTRAL CITY
CREDIT UNION
Together We're Better!
www.centralcitycu.com

May 16, 2014

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comment to Proposed Prompt Corrective Action: Risk Based Capital Rule
RIN 3133-AD77

Dear Mr. Ploiquin,

Thank you for the opportunity to comment on the proposed Risk Based Capital Rule. I am writing this letter on behalf of Central City Credit Union, which serves members in central Wisconsin. We currently have 23485 members and assets of 210 million. I believe that this proposal has several flaws and if approved as drafted it will have a negative impact on my credit union and the entire credit union industry. The proposed rule if approved as is it will ultimately reduce the services that we can provide to our members and will reduce our ability to provide affordable loans to our members.

While my credit union would not be immediately impacted by the new proposal I do believe this ruling would affect how we do business going forward. Our priority is to make loans to our members but if our deposits continue to grow as they have done in the past we would be increasing our investment portfolio with US Agencies, Government Secured Agencies and FDIC insured CD's, which are all extremely safe from a credit risk perspective. The portfolio would contain a mix of adjustable rate and fixed rate securities as well as amortizing and bullet instruments. The proposed rule focuses on interest rate risk based upon the duration of the investment. Unfortunately it doesn't consider some of the other attributes that carry less interest rate risk such as adjustable rates and amortization features. I don't understand why the proposal uses only one side of the balance sheet and one interest rate environment and addresses interest rate risk by using one metric.

It is my understanding the Federal Credit Union Act's requirement for RBC was to model the Basel III requirements and this proposal is very different from their requirements. The risk ratings in the proposal do not match the real risks in the system. These risk ratings also serve as a disincentive to continue or enter into member business loans, mortgage lending, and longer term investments.
My other real concern is that if this proposal goes into effect that credit unions only have 18 months to implement it. This short implementation period is also inconsistent with the Basel III multi-year development and implementation. This is especially harmful to credit unions as they cannot raise capital except from retained earnings. I would like to see the rule phased in over a four year timeframe to give Credit Unions ample time to restructure their balance sheets to meet the new standards.

My final comment is in regards to allowing examiners to require higher capital requirements on a case by case basis. To me this appears to be arbitrary and subjective, as examiners often disagree with each other from year to year. This would be very challenging to plan for when the rules are unclear.

I would encourage you to consider making significant revisions necessary to the proposed rule to deter unintended consequences. If the current draft passes there is potential for some credit unions to pursue charter alternatives or mergers which would be detrimental to our industry.

Sincerely,

Sandra Rindfleisch

Sandra Rindfleisch
VP Finance