Bridge Credit Union

Bridge Credit Union, Inc.
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May 16, 2014

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

MAY19'14 PM 2:04 BOARD

Dear Mr. Poliquin:

I am writing on behalf of Bridge Credit Union in Ohio which serves the Ohio Department of Transportation, several other state agencies as well as the Transportation Industry in central Ohio. We have over 7600 members and $45 million in assets. Bridge Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Although this will not impact us immediately, we will quickly reach the $50 million threshold. The initial calculations indicate that our Credit Union will remain well capitalized. Since assets generally grow at a much faster rate than capital, the ratio can quickly decrease. We certainly consider ourselves a complex credit union based on the services we provide our members but NCUA has made it very clear that we are basically disposable.

I do not agree with the risk based capital proposal for several reasons. It creates boxes that we must all fit into nicely. This industry is unique in the fact that we all have unique memberships. We are charged with serving those member needs. If our members needed more of an account/loan type, it would be our responsibility to determine how to manage those needs. This proposal could take that ability away from us. It also gives no alternative method to earnings for increasing capital.

It doesn't make any sense to me that we would be required to risk base total portfolios as you have suggested without considering issues such as member behavior, portfolio experiences, consumer loan collaterals, loss rates etc. It also doesn't make sense that a category can be risked based at more than 100%. If we are doing business that we would expect to lose 100% of the investment it probably isn't a business decision we should take lightly. The amount of due diligence and risk assessment that we are already required to do should be enough. It really should be about serving the member, not the regulator or insurer.

I understand that there may be instances that NCUA would require higher capital for an individual credit union but when is capital enough? Shouldn't this decision be left to management and Board? If NCUA is concerned about their charge to insure all federally chartered credit unions through the managed NCUSIF, perhaps there should be consideration to allow all credit unions to select a private insurer. That could help alleviate some of NCUA's burden to "resolve the problems (as defined by NCUA) of federally insured credit unions at the least possible long-term loss to the NCUSIF." It is certainly an option we will discuss with our Board of Directors. If an individual Credit Union needs higher capital due to extenuating circumstances, let the examiners work with the Credit Union management and board to determine an action plan rather than require all credit unions use this RBC approach.

Of the Credit Union failures that have occurred in the past several years, would the proposed RBC requirement have prevented the failures? The Credit Union industry as a whole weathered the economic storm much better than the banking institutions yet you are modeling this proposal after their standards. BASEL III didn't prevent the banking losses. NCUA expected and enforced Credit Unions to offset losses to our industry through the stabilization and premium assessments, yet are now proposing that our capital be maintained at higher standards than we have now. This makes absolutely no sense to me. Bank losses from 2007-2013 were 848% higher than credit union losses at $16.13 per $1,000 vs. $1.90 per $1000, according to the Credit Union National Association. That evidence alone proves that we as an industry have managed our risk 848 times better than the banks, yet NCUA proposes we start managing our risk similar to them. Many of the regulations and restrictions placed on our industry already limit our risk by not permitting us to exceed % to assets or capital for many balance sheet categories.

The risk weightings do not seem to truly evaluate any real risk to the portfolios. What consideration is given to performance, actual losses, collateral values, etc.? Again, the whole portfolio gets thrown into the pool and weighted. In many categories the proposed capital required is higher than those in BASEL III. Again, this makes no sense to me! Why is our industry being "penalized" for "potential" losses that will likely never happen? There is no basis for these weights. Why for example are investments with a weighted average life of over one year risked at all if the investment is NCUA or FDIC insured? Is there concern that neither insurer will be around in a year or longer to cover the investment should the institution fail? If so, why is the NCUSIF capitalization deposit excluded from being risk weighted? Why do delinquent consumer loans not give any consideration for collateral and are weighted at 150% yet delinquent first mortgages are weighted at 100%? Why is a loan to a CUSO risk weighted lower than and investment in a CUSO? There does not seem to be any logic to these weights other than to be higher or lower than BASEL III. Doesn't it make more sense to increase allowance accounts by weights?

If a credit union has a high concentration in MBLs and according to the GAO report, the bank failures also had high concentrations of these; shouldn't the ALLL be adequately funded to absorb those potential losses? The ALLL can be funded as needed based on performance, economic factors, etc. not just blanket to the entire portfolio. This gives more flexibility to the credit union as balance sheets change.

I also do not agree with an 18 month timeline for implementation. It can take much longer than that to alter a balance sheet that is acceptable to NCUA. There may also be a need to the Board and Management to decide how to manage to the members' needs and at the same time satisfy NCUA which could require a strategic plan change. Eighteen months should be adequate time to prepare the plan of action a credit union would expect to take to increase capital if needed. Of course the plan should have defined timelines of projected capital targets.

Overall, the need to have adequate capital to secure the future of the Credit Union is important to all of us. We have been managing our Credit Union for years trying to balance the return to members in the form of dividends, loan rates, and services while keeping the capital strong but not excessive. Our Board has been clear to us not to inflate the capital if we can give more back to the member. That truly is our mission. We are here to serve members. The regulatory burdens that have been placed on us the past several years have been challenging to say the least, yet we have persevered to continue serving members. Our system is strong; we cooperate and work together to help each other succeed. My question is NCUA in this with us or not?

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements. I sincerely hope the final outcome is one that proves loyalty to the credit union movement.

Sincerely,

Christine L. Leslie
President