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MAY19'14 PM 1:54 BOARD

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 a Board Member of Resource One, this letter represents my views regarding the NCUA's proposal on PCA – Risk-Based Capital. The proposal is exceptional in thought, but I see a couple of flaws in its current form. I would like to express my concerns and offer the following comments with the intention to improve the proposal:

To begin with, credit unions passed through the last Recession in 2007-08, the biggest economic crisis since the Great Depression just fine, without the requiring one penny of taxpayers' dollars. Credit unions have situated themselves to have the capacity to withstand such economic hardships. The RBC regulation would deter that financial flexibility.

Moreover, the proposal has CUSO investments risk weighted at 250%, which will obstruct the development of CUSOs. While there may be unstable CUSOs, a fruitful CUSO will result in the growth of that investment carried on the credit union's balance sheet.

Regarding the exclusion NCUSIF deposit in the risk-based calculation, it seems unusual that it is being treated as having no value when so much has been done to preserve the integrity of the fund. The proposal implies that NCUA recognizes an implicit devaluation of the asset. This needs to be reviewed and reclassified.

The proposed regulation also largely mirrors the Basel III model utilized by banks. However, the RBC proposal necessitates additional requirements aside from credit risk; it additionally inherits interest-rate, concentration, liquidity, operational, and market risk. This particularly penalizes credit unions even though they do not function like banks. They have no alternative methods to raise capital with the exception of by earnings.

Lastly, 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.



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I conclude that although the proposal is commendable in theory, but adjustments must be enforced. I ask that the proposed rule be reevaluated and be perfected to allow all credit unions to continue serving their members' needs.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Greg Blunt', is written over a light blue horizontal line.

Greg Blunt
Board Member



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