

**From:** [Joel Slagan](#)  
**To:** [Regulatory Comments](#)  
**Subject:** Prompt Corrective Action Risk-Based Capital Comment Letter  
**Date:** Monday, May 19, 2014 10:30:51 AM

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Dear Secretary of the Board Poliquin,

May 16, 2014

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

Dear Mr. Poliquin:

First and foremost, we thank you for giving credit unions an opportunity to respond to the proposed Risk Based Capital rule. Timberland Federal Credit Union is a \$60 million credit union serving 10,000 members. Our management team has discussed the proposed RBC rule and its possible adverse impact on credit unions.

We are concerned that the risk of insured investments that would mature in five years or less will outweigh the risk of an unsecured loan. We understand the factor for potential interest rate risk associated with these types of investments; however, the risk would be mitigated with the \$250,000.00 insurable threshold balance. The risk weights are being set at 20% for one year or less and 50% for one to three year maturities. Again, we believe these weights are far in excess of what they need to be for insurable investments. How can the insured investments held by a credit union actually pose a higher element of risk than the factor applied to unsecured loans?

Although the long term risk weights would not impact our balance sheet, it could have adverse consequences for our neighboring credit unions, particularly ones with a large investment portfolio stretching over the five year term. What would happen if a "well-capitalized" credit union finds itself downgraded to "adequately capitalized" after the proposed calculations?

Although our credit union is prepared for the new rules and will continue to keep its well capitalized position, the current proposal will ultimately detriment the credit union movement.

If you should have any questions or comments please email me at [jslagan@timberlandfcu.org](mailto:jslagan@timberlandfcu.org). Thank you for your consideration.

Sincerely,

Joel Slagan  
Vice President/Operations

Sincerely,

Joel Slagan  
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