

From: [Lee C. Strickhouser](#)
To: [Regulatory Comments](#)
Subject: Lee Strickhouser - Comments on Proposed Rule: PCA – Risk-Based Capital
Date: Monday, May 19, 2014 1:02:57 PM
Attachments: [image002.png](#)
[image003.png](#)

Dear Mr. Poliquin:

As the Chief Lending Officer at Resource One Credit Union, I fully support the concept for risk-based capital for credit unions. However, I would like to express my concern and offer the following comments with the anticipation of improvements on the proposal:

- It appears that NCUA's risk-based capital ratio generally mirrors the Basel III model used by banks. However, the RBC proposal covers additional requirements aside from credit risk; it also inherits interest-rate risk, concentration risk, liquidity risk, operational risk, and market risk. This especially penalizes credit unions because unlike banks, they have no alternative methods to raise capital except by earnings.
- Consumer loans that are current are given a 75% risk weight, but delinquent loans are given a 150% risk weight. There is no difference in weighting for the type of consumer loan (unsecured versus secured) or generation source (direct versus indirect). Different loan types and generation sources have different performance expectations historically and should be evaluated as part of this proposal. This needs to be reassessed and better classified.
- One of the most troubling items in the proposal is the concept that an Examiner can arbitrarily increase the required capital that a credit union will need to maintain. This is particularly troubling considering that the proposal is already more stringent than the banks, and allowing the Examiners to require additional capital could result in unrealistic and inconsistent capital guidelines with no ability to know how to measure that additional required capital. This part of the proposal would essentially require credit union leaders to manage their credit unions without knowing exactly what they need to manage, which will only create inconsistency among credit unions. This part of the proposal should be revisited.

Although the proposal is admirable in theory, modifications need to be made. I ask that the proposed rule be reexamined and refined to allow all credit unions to continue serving their members' needs.

Sincerely,

| **Lee Strickhouser**



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