From:	Dan Christiansen
To:	_Regulatory Comments
Cc:	jwendland@mncun.org; RBCblog@cuna.coop
Subject:	RBC Proposed Rule
Date:	Tuesday, May 20, 2014 12:07:28 PM

Star Choice™
Building strong financial futures.

May 20, 2014

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

VIA ELECTRONIC DELIVERY: regcomments@ncua.gov

RE: Prompt Corrective Action - Risk-Based Capital; RIN 3133-AD77

Dear Mr. Poliquin:

Please accept this correspondence as commentary concerning the National Credit Union Administration's (NCUA's) recently issued proposed rule to establish risk-based capital requirements for federally-insured credit unions. We do appreciate the opportunity to comment on the risk-based capital ("RBC") proposed rule.

Much has been written by industry experts that eloquently detail an exhaustive list of problems with the proposal as it is currently written. We won't attempt to duplicate those comments but attempt to relate our greatest concerns as it applies to Star Choice Credit Union.

It is our understanding that the same standards would be applied to all credit unions over $50M in assets regardless of the quality of the assets subject to the regulation. Our first mortgage portfolio is very conservative and the maximum term of the loans is relatively short. Of present portfolio averages 30% loan to value (LTV) and turns over in an average of less than 8 years. As a result, we have never had a loss on a first mortgage loan. This conservative approach, and the record of no losses, should not be rated the same as an 80% LTV portfolio with 30 year terms. While we realize the intent of the RBC proposal, we feel that it treats credit unions in a "one size fits all" manner.

As we are sure you are aware, natural person credit unions came through the great recession in much better financial condition than the banks of similar size. It was a challenging time for all financials and we, at Star Choice, were challenged as well but we got through it. By your own statistics, credit unions are gaining in financial health since that challenging time. So why implement such a drastic regulation now? Maybe the more important question, why allow only 18 months to comply with the RBC regulation? Banks had several years to comply and banks have the ability to raise capital. As you are aware, we have only one way to build capital and that is through retained earnings. Retained earnings increase capital at a fairly slow pace--especially when margins are so tight. We fail to understand the reasoning for implementing RBC over a shorter period than the banking industry. If anything, credit unions time to comply should be longer.

It is our understanding that, even though credit unions fared better than the banking industry, credit unions will have some tougher standards under the current proposal. That is counter-intuitive, especially considering that credit unions have historically been more conservative than banks and our industry delinquency and losses bear this out. It is our opinion that the RBC proposal should take this into account and the regulation should be less strenuous, not more strenuous than the banking industry.

Thank you for the opportunity to comment.

Sincerely,

Dan Christiansen
President
Star Choice Credit Union
952.698.7223
starchoicecu.org

Building strong financial futures.
Join the Star Choice Conversation!