



500 East 1400 North • Logan, UT 84341
(435) 716-5392 • (888) 750-5392 • (435) 753-4179 Fax
www.loganmedicalfcu.org



May 20, 2014

To the NCUA
From the Logan Medical FCU
Regarding the proposed risk-based capital rule

To whom it may concern:

Thank you for the opportunity to comment on the proposed risk-based capital rule. I represent Logan Medical Federal Credit Union, with \$18 million in assets, and 2,268 members. While in general I support the notion that credit unions that take on more risk should take steps to mitigate that risk, I do not support NCUA's moving forward with this rule.

While the proposed rule does not immediately and directly affect my credit union, at some point my credit union will pass \$50 million in assets, so the rule would affect me then. Additionally, the rule will indirectly affect me because I believe it will color examiner thoughts and perceptions.

I already feel like examiners require things of small credit unions that really don't apply to us—that make perfect sense for larger credit unions, but that don't really add much value to our operations. These things really only function as time and resource sinks for us, yet to please examiners, we must do them.

The same will probably happen with this rule—it will influence the way examiners think, and affect the types of things they require of small credit unions. It's hard to predict how this will happen, but could extend into how we manage concentration, liquidity, credit, interest rate, and operational risks.

Further, the general net effect of the rule on the credit union industry concerns me. The discussion that I have heard about the rule is that it will force larger credit unions to become more balance-sheet oriented. This will distract them from the core mission of helping consumers, diminish the unique credit union value proposition, and tarnish the reputation of credit unions collectively.

Because of the heavier-than-Basel-III weights, some credit unions might even convert to mutual savings banks. This would be a tremendous loss to our country, as those mutual savings banks often become stock-held banks, and then consumers in general lose. Not only that, but those larger credit unions lend considerable support to the credit union industry in general. It would be detrimental to lose that leadership.

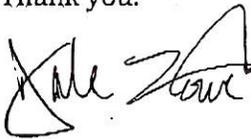
It would be best not to go forward with the proposal at all, but I understand that the rule will probably advance in some form. It should only do so after heavy revision:

- Weights should be adjusted downward so they aren't heavier than the weights for banks
- The definition of "complex" should address the issue of complexity, and not just size
- Regulations or rules that duplicate or accomplish some of the same things as this rule should be eliminated or revised
- The timeframe for compliance should be increased
- The way different types of risk are addressed should be made consistent across the board for each type of asset

Of particular concern for me is the provision that would allow NCUA to establish customized capital requirements for credit unions. Based on my experience, this provision begs for abuse, misuse, wrong-use, and misguided use. It must be removed from the rule. With this provision, for all practical purposes, the NCUA assumes the power to do anything it wants to credit unions. There is no check or balance. There is only NCUA's decree. If it starts with capital, it will no doubt creep into every other aspect of credit union examination and regulation. It is simply too much unmitigated power. And besides that, it says that NCUA isn't confident enough in its own risk-based capital rule to trust it—it has to build in an additional overriding provision just in case the rule wasn't good enough.

Credit unions already mitigate risk in many ways. They have to, or they would have been out of business already. I recognize that this proposed rule tries to quantify all those cumulative methods of managing risk, but I feel it will, over the next 10 to 15 years, cause the credit union movement to dwindle. Please make significant revisions before implementing it.

Thank you.



Dale Howe, CEO