USAgencies CREDIT UNION

May 20, 2014

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

Subject: Prompt Corrective Action – Risk Based Capital: RIN 3133-AD77

Dear Mr. Poliquin:

Thank you for giving me the opportunity to comment on the National Credit Union Administration's (NCUA) proposed Risk Based Net Worth rule. While I support the idea of having a risked based net worth system for credit unions, I believe there are areas in the proposed rule that could be improved upon.

USAgencies is a $75 million credit union located in Portland Oregon serving approximately 7,000 members. As such, we are defined as a complex credit union under §702.102 and would be subject to the proposed rule. Under the current Risk Based Net Worth Requirement (RBNW), a credit union is considered "complex" only if they have quarter- end total assets over $50 million **and** they have a RBNW requirement over 6 percent. As of the March 2014 call report, our RBNW requirement was 4.82 and therefore we are not considered "complex"; but suddenly we will be. I don't think that setting an arbitrary asset level as what determines the complexity of a credit union is valid. According to your June 2013 estimates that 94 percent of total credit union system assets are held by credit unions over $50 million, you seem to be basing "complexity" on a percentage of coverage of the NCUSIF and not really on the underlying risk that individual credit unions may have on the insurance fund. Under the recently enacted final liquidity rule, a limit of $250 Million was set as the threshold for the requirement to join the Central Liquidity Fund or Fed Discount Window. If an arbitrary limit is needed for ease of reporting/compliance, this higher limit would seem more appropriate.

I also question the risk ratings given many of the various asset classifications. For example, in 104(c)(2)i Category 1 –Zero Percent Risk –Weight, Debit instruments unconditionally guaranteed by the NCUA or FDIC are listed while Investments in certificates of deposits which are under the FDIC or NCUA $250,000 insurance limit are weighted by their maturity from 20% to 150%. Both instruments are fully insured/guaranteed, so why the difference? According to the Risk Based Capital Calculator provided by NCUA, my credit union needs to hold almost $800,000 in capital to offset the risk of my fully insured certificate portfolio. These are funds that could better be used to help my members and grow my credit union. Likewise setting risk weightings on first mortgage loans solely based on a percentage of assets does not consider the effect of the remaining term of the underlying loans. The entire pool of first mortgage loans on our books have original terms of 15 years or less and most have loan-to-value (LTV) ratios of under 80%. Doesn't it seem logical that a similar size pool of loans that was made up of loans with 30 year terms and LTVs of 85-95% would contain more potential risk?

I appreciate NCUA's commitment to solidifying and protecting the NCUSIF. All federal insured credit unions want to ensure that our insurance fund is sound, well-funded and protected from undue risk from credit union failures. I believe a properly designed RBNW rule will further ensure the longevity of the system, and look forward to seeing how the proposed rule is modified to ensure credit unions continue to be able to serve their members needs first and not be unduly focused on building capital to unnecessarily high levels.

Respectfully Yours,

James Lumpkin
President/CEO
USAgencies Credit Union