OLD WEST
FEDERAL CREDIT UNION

May 19, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Dear Mr. Poliquin,

I thank you for the opportunity to comment on the National Credit Union Administration's proposed Risk Based Capital Rule. I write to express my grave concern and opposition to the rule as it is now written.

We are a grandfathered credit union in respect to the Member Business Lending Cap and due to our present MBL loan concentrations the Risk Based Capital Rule would essentially end Old West's business lending program. As a Low Income Credit Union located in rural Eastern Oregon, Old West has been lending for agricultural and business purposes in some form or function since our charter creation in 1957.

Old West is presently $121 million dollars in assets with nearly 10,000 members. For several years we have been the largest USDA guarantee lender located in the state of Oregon, utilizing both USDA Farm Service Agency and USDA Business and Industry programs. We serve an indispensable role in making credit available to our rural members. Our credit union and our business lending program have been forged in the fire of a local economy where unemployment is consistently in double digits. These economic conditions were present long before the "Great Recession" and will likely remain for the foreseeable future.

NCUA has asserted on many occasions that the rule would result immediately in only a relatively few number of credit unions being subject to PCA; The problem with that assertion is no credit union manager or business owner looks only at today's financial situation. Prudence dictates (and NCUA guidance mandates) that we look forward strategically and consider a business decision's effect on the financial condition of the credit union. Any competent credit union CEO can anticipate this rule's negative effect on be ability to offer the very products our members' need and that will bring income to the credit union.

In Old West's case we would remain adequately capitalized under the new Rule. Unfortunately every new dollar of MBL loans would bring a reduction in our RBC ratio. I'm sure the Agency's intent is to assure the safety and soundness of the share insurance fund; unfortunately this rule's over-reaching nature is likely to have the opposite effect. With the ability to offer products that create income curtailed there will be no undivided earnings. Without undivided earnings there will be no growth and quite likely a contracting of capital, not only as a ratio but in dollars as well. Old West will be forced to raise fees and loan rates in an effort to generate income. Our Low Income members' interest will not be well served under the Rule as proposed.

The Rule as written places arbitrary and capricious risk weightings without adequately taking into consideration the quality of the particular assets being weighted. In regard to the Rule's MBL weighting proposal, not all MBL loans are created equal. As opposed to an arbitrary blanket risk weighting based upon concentration, would we not be better served by a system that accounts for a loan's purpose, loan to value, maturity, interest rate risk, etc.?

Why are NCUA's proposed risk weightings on MBLs harsher than FDIC's for community banks? The Rule results in an unfair regulatory burden on credit unions. While there is weighting reduction for USDA guarantees it does not appear that state guarantees are given the same consideration.

I strongly encourage you to remove this Rule from consideration. Perhaps a working group of Agency and Industry stakeholders could better address the issues facing credit unions, including a risk based capital rule.

These past six years were unequivocally the worst economic conditions since the Great Depression yet credit unions continue to operate prudently and providentially. In a phrase, we're still here. Yes, the Share Insurance Fund realized losses, but the Agency would be better served by reviewing what went right in the past six years. What allowed credit unions to weather the worst economic storm of modern times? What was the formula that kept credit unions a safe, sound and viable option for consumers and businesses? Answer those questions and build a risk based capital rule upon that foundation.

Thank you for opportunity to comment on this proposed rule and for your careful consideration in this matter.

Respectfully,

Ken Olson – President/CEO
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