May 13, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 55314-3428

Re: RIN 3133-AD77; Comments on Proposed Rule: Prompt Corrective Action—Risk-Based Capital

Dear Mr. Poliquin:

Thank you for the opportunity to comment on proposed changes to 12 CFR Parts 700-703, 713, 723 and 747: Prompt Corrective Action; Risk-Based Capital. I am writing on behalf of Veridian Credit Union (VCU). VCU is a $2.5 billion community credit union serving 180,000 members, primarily in Iowa. The proposed changes do not appear to negatively affect VCU's ability to serve members in the short-term. VCU has a projected risk-based capital ratio of 14.30% as of March 31, 2014, using the calculator provided at www.ncua.gov. However, the longer-term impact is more difficult to determine, and we ask that you reconsider or clarify the following proposed changes.

1. Proposed Section 702.104(c)(2)(i) would require credit unions to assign a zero percent risk-weight to certain on-balance sheet assets. For example, this section would require credit unions to assign a zero percent risk-weight to investments in U.S. Treasury bills, notes, and bonds. These types of investments should be risk-weighted similar to other investments based on weighted-average life. The zero risk-weighting does not take into consideration interest rate risk, one of the stated goals of the regulation.

2. Proposed Section 702.104(c)(2)(ii) would require credit unions to assign a 20 percent risk-weight to cash on deposit, including balances on deposit in insured financial institutions. Deposits in Federal Reserve Banks should be risk-weighted at zero percent rather than 20 percent. The National Credit Union Administration recognizes Federal Reserve Banks as contingency funding sources in the event of a financial crisis. It seems inconsistent to identify the Federal Reserve Banks as emergency sources of liquidity, while placing a 20 percent risk-weight on deposits in the same institutions.

3. Under proposed Section 702.104(c)(2)(v)-(vii) the tiered risk weights for real estate secured loans should be eliminated. These risk-weighted percentages far exceed those applied to banks of similar size. In addition, the rationale for these risk-weightings is not clearly explained.

4. Proposed Section 702.104(c)(2)(viii) would require credit unions to assign a 200 percent risk-weight to the total amount of member business loans greater than 25 percent of assets, other than those included in Section 702.104(c)(2)(iii). Assigning a 200 risk-weight for MBL's greater than 25 percent

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of assets seems counter-intuitive. Typically, credit unions with larger MBL portfolios have the most expertise and experience. Requiring higher levels of capital effectively limits their ability to serve business members.

5. Proposed Section 702.104(c)(2)(ix) would require credit unions to assign a 250 percent risk-weight to the total value of investments in CUSOs. In contrast, Section 702.104(c)(2)(v)(B) would require a credit union to assign a 100 percent risk-weight to the total outstanding principal amount of loans to CUSOs. Loans to CUSO's and investments in CUSO's should have similar risk-weights of 100 percent. The asset based limits in place for CUSO loans and investments should effectively limit overall risk for individual credit unions. A higher risk-weight for CUSO investments would reduce future CUSO initiatives. These initiatives encourage innovation, and bring new products and services to credit union members.

6. General Comments: Veridian Credit Union acknowledges the National Credit Union Administration for its work on the proposed regulation, and agrees with the effort to establish a consistent framework for measuring capital adequacy and ensuring financial stability for all credit unions. VCU paid $12.8 million from 2009 to 2013 to the NCUSIF Corporate Stabilization Fund. Those dollars could have been used to increase benefits for our members, so we understand the need for safety and soundness. We encourage the NCUA Board to slow down the process, consider all of the comments and input from the upcoming listening sessions, and develop a revised regulation that benefits credit union members well into the future. Thank you for your time and consideration.

Sincerely,

Monte T. Berg
Senior Vice President of Finance
Veridian Credit Union