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Public Comments on Prompt Corrective Action; Risk-Based Capital : =====

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Submitter Info:

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Comment: The additional capital resources required by this proposal will not only result in significantly lower levels of member service and satisfaction but will also put credit unions at a distinct competitive disadvantage relative to the nation's for-profit banking sector. This is a perverse result given the demonstrated historical conservative operations of credit unions and the role credit unions played during the downturn - both as a countercyclical force (lending as the banks pulled back) and a safe haven (taking in deposits as banks turned consumers away). In short, policy makers should be encouraging more of what credit unions do, not less and this proposal demands less.

This will put additional strain on the finances and operations of many of the nation's smaller credit unions and essentially magnify the decline in credit union service to the nation's consumers.

We are especially concerned about the Agency's proposal to give examiners the power to impose arbitrarily high capital standards on individual credit unions - even if there is some sort of appeals mechanism. Some of us have experienced the appeals process first hand - and have come away with the impression that it simply is a rubber stamp process. Many who would have liked to use the appeals process tell us that they choose not to use it for fear of retribution.

Please consider the following improvements/changes

- 1) Fix the proposed risk weights to reflect marketplace realities: The current weights bear no relationship to actual credit union losses over time - both from the standpoint of losses relative to those in the banking sector and from the standpoint of comparative losses within credit union portfolios.
- 2) Remove the interest rate risk component from the calculation and keep interest rate risk evaluations in the realm of the examination function.
- 3) Remove the proposal to allow examiners to impose arbitrary requirements.
- 4) Index the \$50 million threshold definition of "complex". Consider providing a "safe harbor" definition of non-complex that would allow CUs to avoid the "complex" definition.

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