Maine State
Credit Union

May 15, 2014

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

MAY21'14 PM 3:02 BOARD

RE: Risk Based Capital Proposal

Dear Secretary Poliquin:

My name is Betty Norton and I am the Vice Chairperson of the Board of Directors for Maine State Credit Union in Augusta, Maine. We have $353 million in total assets so the risk based capital proposal would have a significant adverse impact on our institution.

On one hand, I applaud you for looking at ways to keep credit unions financially strong as they meet the needs of their members. All of us believe that a prudent and financially sound credit union is a valuable resource to our communities.

However, I do have concerns with the rule as proposed. Overall, it will place credit unions at a competitive disadvantage to banks and it will force us to impose changes on our members that will not be good for them or our communities. These changes could result in fewer alternatives for U.S. citizens and adversely impact the economy. I would like to point out the following concerns:

- First of all, the current measure for valuing credit unions is a proven approach and has worked well over the years. Very few credit unions failed over the past ten years and the resources were sufficient to address those needs. Therefore, I do not see a need to change from the current valuation model.
- The asset valuations in the proposed rule are unduly restrictive on credit unions in comparison to banks. The capital requirements for credit unions could be more than double that for banks depending on the mix of asset types.
- The amount in the NCUSIF account is a valuable asset and resource for covering shortfalls in a troubled credit union situation. NCUA has this cash to use in dealing with an adverse situation. Therefore, it should be included in the calculation for determining risk based capital and the capital ratio.
- The proposed rule allows too much independence for an individual examiner to impose more restrictive capital requirements on individual credit unions and therefore, it is subject to abuse.
- The higher capital requirements for credit unions, in comparison to banks, will lead to higher loan rates and lower deposit rates in order to increase capital. This will adversely impact borrowers and depositors, and in aggregate it will add a strain on the economy.
- The risk valuations appear illogical when comparing various asset types and comparing credit union assets classes to similar bank asset classes. For example, investments with weighted average lives greater than 5 years are given especially punitive risk weights. This adversely

impacts sound asset allocation policies developed by credit union Board of Directors and it reduces Return On Assets.

I do not support the proposed rule based on the above reasons and feel the current valuation approach is sufficient. The rule could be improved if the valuations placed on the assets types were similar to those imposed on banks, and if the capital calculation includes the NCUSIF asset.
Thank you for considering and, hopefully, understanding the needs of our member owners and communities. The credit union industry has been very successful and has added value to our economy. Please do not implement the rule as proposed, which would harm the U.S. economy.

Thank you.

Sincerely,

Betty J. Norton

Betty Norton
Vice Chairperson of the Board