From: Brad Swartzentruber
To: _Regulatory Comments
Subject: Prompt Corrective Action Risk-Based Capital Comment Letter
Date: Wednesday, May 21, 2014 12:20:08 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Northwest Christian Credit Union (NWCCU), which serves protestant churches and their members throughout the Northwest. We have 6000 Members and $24 million in assets. NWCCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

While NWCCU is privately insured, it is not directly impacted by the the proposed rule. However, a part of our ongoing strategic plan is the possibility of returning to NCUSIF. The proposed rule would make sure a move highly unlikely. NWCCU has a large percentage of its assets in church loans. It is our opinion that the proposed rule paints MBLs with too broad a brush regarding capital reserves.

It is our opinion that capital requirements should take into consideration characteristics present in a particular MBL portfolio. NWCCU's church loan portfolio has the following key characteristics:
Weighted Avg. Loan to Value: 38%
Weighted Avg. Debt Coverage Ratio: 157%
Weighted Avg. Risk Rating:1.7 (1 being very best)
Weighted Avg. Yield: 5.4%
Weighted Avg. Re-price Period 1.61 years

In addition our portfolio survived the worst economic crisis this generation has seen without having a reportable delinquency or incurring a single loss.

Imposing a 14% capital requirement on this type of a MBL portfolio is unnecessary and burdensome.

Given the way the vast majority of credit unions weathered the great recession, this proposed rule seems excessive and arbitrary. The economics have certainly not demonstrated the need for this extreme capital requirement. Nor has history demonstrated that placing power in the hands of examiners to establish even more extreme capital requirement is a scenario that will result in benefits to the credit union movement.

In short, the proposed risk based capital rule is unnecessary and burdensome for the credit union movement. It is the responsibility of each and every credit union the take risk, we must mitigate the risk we take through sound lending practices. Insurance companies/funds are also in existence to take risk. It is NCUSIF's obligation to take on risk and to attempt to mitigate the risk. With this proposal, it seems apparent the the NCUSIF is attempting to eliminate altogether the risk it was created to take.

With this rule, the NCUA is making it less attractive for credit unions to remain federally insured and less attractive for privately insured credit union to return to federal insurance.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

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