From:	Dan Kester
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 21, 2014 3:50:08 PM

Dear Secretary of the Board Poliquin,

I appreciate the opportunity to comment on the proposed risk-based capital rule. I am the CEO of Sooper Credit Union in Denver, Colorado with an asset size of approximately $290 million and over 32,000 members.

Our credit union agrees that there should be some risk-based capital consideration but this regulation, in its current form, is overreaching and potentially damaging. The proposal does not take into account the unique nature of credit unions. It effectively puts credit unions at a competitive disadvantage with our for-profit competitors and will significantly restrict the amount and type of services that we can provide our membership at a time when we, collectively, are the fairest and most accessible financial providers in the country.

The cooperative nature of credit unions was, apparently, not considered when this rule was drafted and diverts resources from serving our membership and investing in our future. The subjective nature of this rule also subjects credit unions to undocumented and unfounded concerns by an individual examiner and can lead to agency and/or examiner abuse.

The collaborative nature of credit unions is undermined with this rule, particularly in the risk weighing assigned to CUSOs. In my 24 year credit union experience, it has appeared to me that those credit unions that act solely, without cooperative support, are, often, the ones that end up getting in trouble. With CUSOs, you can hire and build the appropriate knowledge level and resources to provide profitable and service oriented products. I can cite a couple of examples of credit unions that did their own member business lending, for example, and are no longer in existence. In addition, the risk ratings are not tied to any historical or analyzed numbers that are documented.

With such a major impact to credit unions financial structure and capital base, an 18 month implementation after finalized rules is too short, particularly, with the fact that credit unions can only raise capital through net earnings.

The risk and loss in credit unions is significantly less than has been experienced, recently and historically, by the banking sector. Because we are not stock-based institutions, there is much less exposure to risk and asset manipulation, as the personal reward is not there for us as it may be for bankers. But that is not taken into account in this rule and, actually, this rule is even more stringent than the bankers are subjected to. By law, not regulation, credit unions must maintain a 7% net worth, or leverage, ratio in order to be considered "well capitalized". This leverage requirement is 40% higher than the comparable requirement on community banks.

The purpose of capital standards and the system of prompt corrective action is to minimize losses to the deposit insurance fund however, while the FDIC fund became technically insolvent during last two financial crises, the NCUSIF has performed very well, under current rules. The share insurance fund does not need to be protected at this time. Credit unions survived the worst financial and economic situation this country has experienced in our lifetimes without government assistance.

This proposal restricts credit union lending, particularly residential mortgage and member business lending, and will adversely impact all members, particularly those in rural and low income areas. The additional $7 billion in capital that will be required is not necessary, is unjustified and will be difficult to raise, particularly within 18 months.

The risk weights and the rule are poorly designed and are not based on any analysis of risk exposure. They are also more stringent than comparable risk weights and the Basel requirement for small banks.

While some risk based capital change may need to be made, this proposal is too far-reaching, very under-analyzed and not appropriate for credit unions. NCUA needs to strongly reconsider and rework this proposed regulation.

Sincerely,

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