From:	John Hegg
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 First Illinois Credit Union, which serves Vermilion, Edgar, and Clark counties in Illinois and Fountain, Warren, and Vermillion counties in Indiana. We have 9,496 Members and $45,997,601 in assets. First Illinois Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Our Credit Union is on the verge of exceeding $50,000,000 in assets. While we consider our growth to be healthy and a sign of trust from our community, it would also then force us to cross the threshold that now makes us subject to the new risk weighting system, and the interest rate risk scenario, which I feel will inhibit any future growth and impact our members. The impact would be felt in the form of lower dividends and higher interest rates as a result of having to focus on equity management as opposed to the member's personal growth.

The risk-weighting for cash on deposit at the Federal Reserve should be 0%. Since the Fed is one of the NCUA designated sources for emergency liquidity for credit unions, its safety and soundness should be aligned with other governmental agencies. Honestly, the various weights assigned to the categories assigned do not, in reality, represent losses experienced by credit unions in the past.

Additionally, deducting the NCUSIF Capitalization Deposit from the risk-based capital calculation implies that the deposit does not have value. In effect, we would be writing that off, which doesn't seem right.

Another area of concern with the proposed rule is limiting the allowance for loan losses in the numerator calculation to no more that 1.25% of risk assets. Why 1.25%? I believe that as accounting rules evolve regarding the ALLL, credit unions will be unfairly penalized for having done the right thing in the first place in funding the allowance at appropriate levels.

Our credit union is in the process of applying for low income status (LICU). One of our goals is to explore the benefits of business lending. In particular, our area is made up of many smaller, sound businesses. To fall victim to the proposed rule, once we reach $50,000,000 is discouraging at best, and honestly cause for re-evaluation of the entire process.

Finally, I am very concerned that this proposal would enable Examiners to impose arbitrary requirements on applicable credit unions. We strive very hard to follow every rule, and request that this proposal remove this element so that every credit union who does follow the rules is treated the same.

No one here is disputing the need for conversation and analysis of risk based capital and how important it is for our industry. I would simply ask the NCUA to consider a reevaluation of the implementation period, overall goal of the implementation, and the effect it will have on credit unions like ours.

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

Sincerely,

John J. Hegg, President & CEO
323 N Gilbert St
Danville, IL 61832