From:	Jacki Lerdal
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 21, 2014 10:40:57 AM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Power Co-op Employees Credit Union. We have 1850 Members and$30.2 million in assets. Power Co-op Employees 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.

A number of the risk weightings, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities.

Our CUSO, Community Business Lenders Service Company, LLC, provides an opportunity for diversification of our portfolio within the existing 12.25% NCUA cap. Currently, as many as 20 asset types are available through the CUSO. The CUSO provides monitoring tools to manage concentration risk. Additional regulatory burden will discourage CUSO formation and ultimately adversely impact credit union safety and soundness.

For FY 2013, our MBL loans were 8.2% of our total assets. In contrast, interest income generated from our MBL portfolio was 12.4% of our total income. These numbers underscore the value proposition Community Business Lenders Service Company, LLC provides to our credit union and our members. Given modest demand for our consumer loan products, our MBL portfolio has been a critical part of our total revenue.

At $11,000 per share, our investment in Community Business Lenders Service Company, LLC is not material to our credit union as it relates to our total assets. However, the benefits of ownership include discounted fees, priority funding of new deals, and training provided without charge. Further, the operating agreement governing our CUSO investment includes a provision that does not allow the CUSO to make a capital call. Accordingly, we believe a risk weighting of 100% for this CUSO is appropriate as the risk to the credit union is limited to its original investment. The proposed weighting of 250% is not appropriate given NCUA's requirement that CUSO's represent and warrant a corporate veil exists between the CUSO and credit union owners. Such a representation is typically predicated on an ownership agreement that prohibits capital calls.

NCUA would assume additional authority to impose even higher capital requirements on individual credit unions that could exceed even well-capitalized level requirements.

Credit unions must know the standard they're managing to in terms of capital. Allowing subjective authority to examiners in the field to arbitrarily establish capital guidelines higher than proposed guidelines eliminates that standard. Including such a provision creates uncertainty and difficulty for our staff and board and prevents us from effectively managing the financial institution on behalf of our members.

While we are currently under the $50 million threshold, we have been growing and as we plan for our future growth this proposal will affect our ability to plan future product offerings and investment strategies.

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

Sincerely,

Jacki Lerdal, VP & Manager

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