



May 19, 2014

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

Via e-mail: [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

**RE: Comments on Proposed Rule: Prompt Corrective Action – Risk-Based Capital.**

Dear Mr. Poliquin:

The Interior Federal Credit Union serves the Department of the Interior employees and its many family members throughout the country. We currently have 11,153 Members and \$151,000,000 in assets. We appreciate the opportunity to submit comments on NCUA's proposed rule Prompt Corrective Action – Risk-Based Capital (RBC).

Interior Federal Credit Union feels strongly that this proposed rule is without merit. Furthermore, if the proposed rule is adopted, it will place an undue burden upon credit unions to comply. In fact, most affected credit unions would need to increase the amount of capital held in order to be "well capitalized," and would likely face burdensome risk weightings that would serve as a disincentive to continue or enter into member business and mortgage lending programs, and long-term investments, inevitably pushing members to our competitors.

**Proposed risk-weights**

A number of the risk weights, especially for member business loan and mortgage concentrations as well as for CUSO investments, do not appear to be properly calibrated for credit unions. They are even higher than what is being imposed on banks by the BASEL III changes. Using higher risk weights on long-term assets to deal with interest-rate risk is misleading without considering liability maturities and other mitigating factors.

**Examiner discretion to change risk ratings**

NCUA would assume additional authority to impose higher capital requirements on individual credit unions. Unlike under the existing statutory net worth rules known as Prompt Corrective Action (PCA) regulations, credit unions would no longer have clear rules to avoid prompt corrective action if the agency establishes its authority to use "judgment" on a credit union to make changes to risk ratings. This opens the door to inconsistent and arbitrary application. It



would also diminish the boards and management to make financial judgments and oversee policy. Our recommendation is to remove section 702.105(c) from the rule entirely.

### **Implementation Date**

We also recommend that the proposed implementation date of eighteen months after becoming final be extended. This proposed time-frame does not give credit unions sufficient lead time to plan for and implement the new risk based capital ratio requirements. This is important as many credit unions may alter their balance sheet composition in response to the rule.

### **Conclusion**

Interior Federal Credit Union is requesting NCUA to carefully weigh our comments and consider withdrawing this flawed proposal in favor of opening a new dialogue with the credit union community. At the very least, we urge NCUA to pursue the appropriate amendments to this rule that will ensure a viable, well-balanced risk-based capital system is implemented.

Thank you for the opportunity to comment on the proposed rule. If you should have any questions, please contact me at [mmerryman@doifcu.org](mailto:mmerryman@doifcu.org) or 202-2084277.

Sincerely,

A handwritten signature in black ink that reads "Mike Merryman".

Mike Merryman  
Chief Executive Officer

**Cc: Sen. Barbara Mikulski**  
**Sen. Benjamin Cardin**  
**Rep. Eleanor Holmes Norton**