From:	Becky Lawson
To:	_Regulatory Comments
Subject:	Peoposed Prompt Corrective Action: Risk Based Capital
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Attachments:	image001.png

May 12, 2014

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

Dear Mr. Poliquin:

Thank you for the opportunity to provide comments on the proposed Prompt Corrective Action; Risk Based Capital. I am writing on behalf of Knoxville TVA Employees Credit Union, Knoxville, Tennessee with $1.3 billion in assets. I currently serve in the position of Chief Support Officer with the Credit Union. The Credit Union serves more than 130,000 members and has helped people for over eighty years. I have been involved in the credit union movement in excess of thirty-one years.

The desired outcome of the rule appears to be making credit unions less competitive than banks. The outcome appears to have credit unions with less concentration in mortgage loans and member business loans and with shorter-term loans, shorter-term investments and higher liquidity.

The following is a list of items that need to be reconsidered in the proposed rule:

- Proposed risk-based capital ratio of 10.5% is well capitalized but examiners "subjective judgment" and "agency expertise" will have the discretion to make this ratio even higher for some credit unions
- NCUSIF deposit has much greater weight on the capital (numerator) than on assets (denominator)
- Comprehensive understanding of investments is questionable to what factors go into this determination
- Creates a second measure of capital/net worth with no direct correlation between the two—which one will determine if a credit union is sound or not?
- Requires Board of Directors and management to manage risk capital rather than needs of the member
- Many risk weightings for credit unions are higher than comparable risk weightings for banks
- Allow credit unions sufficient time (December 2018) to implement appropriate changes to their books for compliance with the proposed rule

Over time credit unions have been very successful building capital from managing liabilities and assets. Credit unions are being forced with this new rule to increase capital and do not have the supplemental avenues of building capital of other financial institutions. Knoxville TVA Employees Credit Union will be forced to increase fees, reduce dividends, increase loan rates and reduce the services to members to raise the necessary capital for this rule.

“In 2013, America’s credit unions turned a corner,” NCUA Board Chairman Debbie Matz said. “A strengthening economy led to increased loan demand and fewer delinquencies, helping federally insured credit unions, as a whole, experience one of the best years on record.” The NCUA Annual report also stated that NCUA was ”Easing regulatory burdens, consistent with safety and soundness and providing assistance so credit unions can thrive, innovate and continue to meet the needs of their members. “

Are these statements true? If credit unions are doing such a wonderful job, then why is there a need for such a stringent risk based capital rule? If adopted in the current form of this proposal, this could be the end of the credit union industry of “People helping People.” Some credit unions will not even exist in a few years as result of the implementation of this proposed rule.

NCUA needs to show credit unions they are looking out for the needs of the members and redesign this proposal to fit all credit unions. Members need the products and services credit unions provide and should be able to obtain those products and services from credit unions.

Thank you for your consideration.

Sincerely,

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