

From: [Chris Culberson](#)
To: [Regulatory Comments](#)
Subject: Prompt Corrective Action Risk-Based Capital Comment Letter
Date: Friday, May 23, 2014 3:00:07 PM

Dear Secretary of the Board Poliquin,

My name is Chris Culberson and I am President of Emory Alliance Credit Union in Decatur, Ga.

It would be easy to look at the 400 basis point positive spread between our net worth ratio and the proposed risk based net worth calculated in the NCUA model and think it's a good thing. But the truth is the rule as proposed would impede our ability to improve earnings and grow net worth. And the risk based capital calculator on the NCUA website confirms just how easy it can be to impact the risk based ratio in a negative way.

Our risk based net worth as of December 31, 2013 per the model was 11.45%. As of March 31, 2013 it had dropped to 11.01. In the first quarter we added about a \$1 million of business loans, \$800,000 in mortgages and grew \$4 million in deposits. These are good things, except we're not trying to grow right now. Our reward was that nearly half our cushion to the required 10.5% to be considered Well Capitalized, evaporated.

Two things we learned during the recession are we have almost no control over our deposit growth and our balance sheet is too short. In order to improve earnings we have to lengthen the balance sheet and take a little more risk than we have taken in the past. The assets we would use to do this, our own mortgages and business and consumer loan participations instantly have a negative impact on our risk based capital while the earnings from those assets benefit us over time and build net worth. Our NEV projections support our strategy of lengthening, but the proposed risk based capital requirements would apparently prevent us from implementing it.

Therefore I do not support the proposed rule as presented as I think it will make it very difficult for credit unions who are well capitalized, but below peer, to take the steps necessary to improve earnings and net worth.

I appreciate your willingness to consider comments from the credit union industry and look forward to learning of the changes that arise as a result.

Sincerely,

Chris Culberson
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Decatur, GA 30030