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May 23, 2014

VIA Email to [regcomments@ncua.gov](mailto:regcomments@ncua.gov)

Re: RIN 3133-AD77

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

Re: Comments on Proposed Rule: Prompt Corrective Action - Risk-Based Capital

Dear Mr. Poliquin:

On behalf of the Envista Credit Union Board of Directors and our 33,400 members, I would like to express our appreciation for the opportunity to comment on the proposed Risk-Based Capital Rule. As of April 30, 2014, Envista has total deposits of \$227.5M, total outstanding loans of \$170.4M, and total assets of \$256.7M. We have total capital of 10.37% of assets to justify the risks associated with operating 8 full service branch offices, a full line of lending and deposit products, shared branching, a well designed ATM shared network, a full service mortgage department, a newly formed business services department, and a host of other financial service products that our members demand from their not-for-profit financial cooperative.

As President/CEO of this member owned financial institution, my responsibility to the Board of Directors and membership is to provide professional guidance and direction in an effort to obtain financial success, while also achieving success in the superior delivery of service to our members. I am in my 38<sup>th</sup> year with Envista Credit Union and today I find providing quality services to our members to be increasingly difficult when rules are constantly being implemented without sufficient consideration for the unintended consequences. This most recent proposal to change to a risk based capital approach by NCUA seems to be an overreaction to market conditions that the agency has experienced over the past several years. At Envista, we too are frustrated with some of the risk taking that is pursued by some in our movement, but in my opinion, these changes to our capital requirements will not eliminate or even reduce those exposures in the future. So we, therefore, believe that NCUA's current PCA rule is sufficient to protect the NCUSIF and the movement overall.

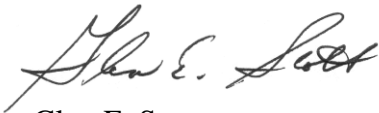
In response to some of the issues in this most recent risk-based capital rule proposal, I will focus on the factors that involve the denominator in the calculation:

- The risk weights for investments seem to be taking into consideration only the maturity of an investment without any knowledge of the safety or soundness of a particular investment. These risk weights need to be re-evaluated and should not be weighted higher than Basel III risk weights.

- Envista Credit Union considers our Corporate to be a significant business partner and have made a significant capital investment in it, yet it would appear that NCUA wants to penalize us for supporting our corporate credit union by proposing an unusually high risk weight of 200% on our capital investment. Does NCUA really **not** want to show support of the corporate system business model and all the great things we are able to accomplish through cooperation within our corporate system?
- Consumer loans are given a risk weighting of 75% which seems arbitrary and too high. Some combination of delinquency and charge off rate would need to be considered in order for this category to be weighted properly.
- The risk weights applied to mortgage products would seem to imply that NCUA is attempting to primarily promote consumer lending for credit unions and discourage us from getting more involved in mortgage type lending. We do not feel that the regulator/insurer's role is to decide what loan products our members should be interested in, but instead, recognize that a credit with strong capital levels should be encouraged to provide quality mortgage products to its members.
- The risk weights for member business loans at 100%, without knowledge of the underwriting standards in place on individual loans does not make sense. We entered this business to continue to diversify our loan portfolio and meet the needs of our member businesses, but again we find ourselves having to deal with excessive restrictions. We are already limited to 12.25% of assets in this book of business which certainly limits concentration concerns within our lending portfolio. This needs to be re-evaluated.
- The 250% weight on CUSO Investments is definitely excessive. There are many different business models for CUSO's and the two our credit union has ownership in are in no way a high risk proposition for the NCUSIF. This high weighting will only cause credit unions to rethink the idea of utilizing this conduit to provide additional value added products and services to our members.
- An 18 month implementation period for the proposed rule would be difficult for many credit unions. If changes are made in our capital requirements, it would be more appropriate to allow for a minimum period of three years to comply with the rule and reposition credit union balance sheets.

In closing I would again like to thank NCUA for the opportunity to give input on this proposed rule and hope that the agency will not move hastily on such an important issue affecting all credit unions. I believe the credit union movement is "cooperative strong" and together, with both our Kansas regulator and our insurer (NCUA) we can continue to be a strong cooperative choice for consumers seeking quality financial services.

Sincerely,



Glen E. Scott  
President/CEO

Cc: Envista Board of Directors  
John Smith, Administrator, Kansas Department of Credit Unions