Friday, May 23, 2014

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

SUBJECT: Comments on Proposed Rule: PCA-Risk-Based Capital

Dear Mr. Poliquin:

My job is not to eliminate risk. My job is to manage reasonable risk. Credit unions have a 75+ year history of successfully managing risk. This rule does not improve upon the anticipated safety and soundness NCUA would hope to achieve with this rule.

I am writing in opposition to the proposed rule: PCA-Risk Based Capital. In short, this rule is not productive to growing credit unions, nor does it help our members, and it does not create any meaningful safety and soundness for NCUSIF or credit union. I recommend this rule be eliminated and you ask credit unions to draft a proper solution. Now for the rational of my observations.

I am president & CEO of a $112 million credit union in Wichita Falls Texas, serving 12,000 members.

Credit unions have withstood some strong negative economic times; and for the most part, the few credit unions who caused some financial loss to the NCUSIF could have been managed by the NCUA.

Adding yet another rule, and another layer of capital will not replace good, ole fashioned oversight from the regulator. I should know, because I am managing a credit union that in 1997 and 1998 was at the brink of closing its doors and the regulators came in and helped us rebuild adequate capital. If the rule you propose had been in place in 1997-1998 it would not have had any ultimate outcome in our survival.

I know first-hand the pain suffered by members, volunteers and staff when a credit union needs to build capital at a non-natural pace. Programs get cut, services get eliminated, wages get frozen, dividend rates get cut, loan rates increase, selling assets, shrinking the balance sheet and other management situations, to create the higher net worth ratio. This is disastrous, counterproductive and serves no good benefit. The proposal is further flawed in that it mandates the added capital is grown in an 18-month time frame. Since there is not a crisis looming, the time to grow the capital should be extended from 18-months to 48 or 60 months. In our board's case, we intentionally believe we would not be a true cooperative of our members' money if we have 10.00% plus capital. So we have not worked to grow about 10%...and now the proposed rule gives us only 18 months to "fix the capital problem". This is wrong and must not be implemented.

In the case of Texoma Community Credit Union, if this proposed rule were implemented NCUA would no longer classify TCCU as a "Well Capitalized" credit union. We would have to begin net worth restoration plans. This would be a huge disservice to the credit union. There is not good justification for NCUA to use to say we are "At Risk" except that you create a new rule. This is wrong!!!!

Will NCUA please provide its analysis of why we need this rule? Credit unions are already much more capitalized than banks. What has happened in the past 18 months to make all credit unions "riskier" and thus NCUA feels its NCUSI Fund is at unreasonable risk? Where is the problem you are fixing?

Ok, I know you are going to say there are new weightings (which you arbitrarily created) that indicate there is more risk. But the reality is, there are no actuary facts that suggest credit unions are riskier today than we were 5 and 6 years ago, and thus need more capital. (You are about 8 years too late to make the case for this proposed legislation.) Further, if the proposed rule were in place 8 years ago, can you tell me how much less the losses would be? Finally, if NCUA had done its job to regulate those "risky" credit unions perhaps the crises would not have occurred. I understand NCUA staff worked daily inside a few credit unions who suffered great losses. I am not blaming the NCUA nor its staff for failure to "foresee" the losses. I also strongly believe that more regulations and more capital would not have prevented the mortgage lending bubble crisis.

In closing, consider the wisdom of many credit union executives, CPA firms, legislators and others as you act on this matter. Completely stop any further promotion on the PCA-Risk Based Capital initiative. If you wish to have someone help you find a better answer, I am willing to help. I have a recently retired Chief Financial Officer who has worked banks and credit unions for 40+ years. He is a MBA and more importantly he helped TCCU to recover from its financial struggles. He also is the forensic accountant who help the Federal Employee Credit Union (if I remember the name correctly) that was bombed in the Federal Murray Building bombing in Oklahoma.

Anticipating your reply to stop further action on this matter, I am,

Respectfully and sincerely,

/s/

L. Wayne Mansur
President & CEO
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p.s. It just occurs to me that the proposes PCA-Risk Based Capital has very similar negative operating impact to a credit union as would a tax on credit unions until the credit union reaches the new (arbitrary) capital limit. Credit unions will have to divert money otherwise spent for operations to plow into capital. Just as I am mad when my government proposes new taxes, I am mad when my regulator proposes rules to cure a "problem" that is not clearly identified, discussed and properly thought through.