CBI Federal Credit Union

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May 23, 2014

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

Sent via E-mail to regcomments@ncua.gov

Re: CBI Federal CU – Comments on Proposed Rule: PCA – Risk-Based Capital;
RIN 3133-AD77

Dear Mr. Poliquin:

I am writing on behalf of CBI Federal Credit Union, which serves the employees of Chicago Bridge & Iron Company. We have 1,518 Members, $19.2 million in assets, and just achieved 50 years of service last year. We appreciate the opportunity to provide comments to the NCUA on its proposed rule on Risk-Based Capital (RBC). I have been a CU volunteer and professional for 38 years, including 10 as a Chairman and 13 as a CEO.

Our credit union is considered to be "small" as far as this proposed regulation is concerned, but there are several items in the proposed RBC regulation that need to be adjusted and corrected. In general, I am not sure that the proposed RBC is even necessary, since the credit union community was not the reason that the economy faltered, and we have all been doing a fair job of preparing our organizations for future increases in the marketplace interest rates.

I think that the RBC Risk Weightings on various types of Capital are too complex and as a result the final RBC ratios are too extreme. The proposed ratio is not an indicator of a credit union's soundness when the number is 33%, or 40%, or 60%. The RBC figure should not be three-times the size of the current Net Worth ratio. A simple leverage (N/W) ratio may still be better than this new proposed number.

The proposed RBC calculation contains higher Risk Weights than the banks' ratio does. This means that credit unions would be required to maintain more Capital than a similar-sized bank would. The NCUA rule is too severe on the weightings and more restrictive than the banks' rule using the Basel system.

There is no reason that Examiners or the NCUA should be allowed to arbitrarily adjust or override any Risk Weights on a case-by-case basis. This makes the resulting number not-comparable with other CU's RBC ratios. Individual Minimum Capital Ratios that vary from one credit union to another are subjective and should be eliminated.

Increasing the Risk Weightings from 50% to 75% to 100% or more, just because the CU has a lot of First Mortgages or a group of Business Loans, is too severe. If the credit union does not have any losses or delinquencies with these loans, then doubling the Risk Weights is excessive. A smaller increase in the Weights may be used as the loan portfolio goes over 30% of Assets, but not requiring the large Weighting concept that has been proposed.

Also, increasing the Risk Weightings so much for longer-term investments should be reviewed and reconsidered. Some small increase in the Weights for investments over 5 years may be utilized, but not to such a high level. Interest Rate Risk should not be part of the Capital adequacy equation.

The proposed RBC rule removes the NCUSIF deposit from the calculation of the final ratio. This should be corrected and the deposit included (not subtracted) in the calculation of a CU's Capital.

Goodwill should be excluded from the RBC numerator. The NCUA should not be able to restrict dividend payments as the proposal would provide. I feel that additional comment time is not necessary and the 18-month implementation time-line is adequate.

To summarize my comments, the proposed RBC rule should have its Risk Weightings modified and reduced, so the resulting ratios for all 6,700 credit unions are comparable and meaningful. After adjusting the Risk Weights and statistically comparing the new ratios for all of the CU's, it may be possible that a RBC rate of 10.0% or more would then be considered as "Well Capitalized".

Thank you for the opportunity to comment on this proposed rule and for considering our views on Risk Based Capital requirements.

Sincerely,

Robert K. Doty

Manager of CBI Federal CU