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Public Comments on Prompt Corrective Action; Risk-Based Capital: =====

Title: Prompt Corrective Action; Risk-Based Capital  
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Submitter Info:

First Name: Richard

Last Name: Luna

Comment: These comments are in response to the proposed NCUA Regulations for Risk-Based Capital:

I am the CEO of Spokane Law Enforcement Credit Union, located in Spokane Washington. We are a small State-Chartered-Federally-Insured credit union, (with assets under \$50 Million), Though we would, for the time being, be exempt from these proposals, there is little doubt that we will eventually be held to these proposed standards should they be implemented.

It is clear that the proposed regulation is an attempt to create a single standard that would be applied to all credit unions regardless of size, health of the loan portfolio, or the credit union's condition. Not only are these proposals terribly unfair, they are totally unjustified and unnecessary in light of historical credit union health through both good and bad economic conditions over many, many years. As written, this proposal has no practical value to credit unions, and would, no doubt, only hurt financial cooperatives.

In our case, for example, we have consistently maintained a capital ratio well above 12%. Close to 60% of our loan portfolio is real estate related. The loss history on these loans has been extremely low, even through bad general economic conditions. The vast majority of these real estate related loans are under 15 years maturity; and virtually all are to members with excellent credit scores, low debt to income ratios, and healthy equity positions. Despite the actual low-risk condition for this segment of our loan portfolio, the proposed regulations would arbitrarily classify them as high-risk. This, in turn, would significantly increase our credit union's capital requirements which would, in turn, negatively impact our membership. All this solely for the sake of an ill-conceived one-size-fits-all regulation.

Please remove this risk-based-capital-proposal from further consideration. As presented, it is unnecessary, unfair, and seems designed only to hurt the credit union movement.

It is unfortunate that recent NCUA regulations and proposals have targeted credit unions with the intent to negatively impact their finances through punitive/excessive fees, and now, through this risk based capital proposal, implement a massive blunt instrument to lessen the financial cooperatives ability to serve their members by forcing transference of member's funds to unnecessary and unjustified capital requirements.

Risk-based-capital is an academically sound idea; however, the proposed regulations do not present a viable way to address this current non-issue. Again, please remove these proposals from further consideration.

Thank you.

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