From:	Tom Stewart
To:	_Regulatory Comments
Subject:	Tom Stewart, Mid Illini Credit Union, charter #63541 Comments on Proposed Rule: PCA – Risk-Based Capital
Date:	Friday, May 23, 2014 2:24:37 PM

MID·ILLINI CREDIT UNION
WHERE DIFFERENT | IS BETTER

May 23, 2014

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428
Sent via E-mail to: regcomments@ncua.gov

Re: Mid Illini Credit Union, charter #63541 Comments on Proposed Rule: PCA – Risk-Based Capital

I would like thank to the NCUA Board for the opportunity to comment on the NCUA's proposed Risk-Based Capital rule. If the proposed rule is passed in its current form, I believe it places an unfair regulatory burden on credit unions when compared to similar sized banks. The proposed rule will negatively affect credit union members. The proposed rule will also create a credit union culture focused on capital accumulation and risk avoidance, rather than meeting the needs of credit union members.

In the proposed rule, the NCUA has not satisfied their requirement under the Federal Credit Union Act to consider the unique structure of credit unions when implementing its Risk-Based Capital rule. The risk-weightings in the proposed rule are more stringent than the Basel risk-weightings for small banks. On comparable loan types, credit union loss rates are typically lower than small banks. The credit union unique structure and performance suggests the risk-weights should be less stringent. In some cases, the proposed credit union risk-weights are double when compared the Basel risk-weights for similar sized banks.

Although the proposed rule doesn't apply to Mid-Illini CU today, it will in the near future. If the proposed rule is applied, Mid Illini CU would fall from well capitalized in the current system to adequately capitalized under the proposed rule. Under the current rule, Mid Illini CU has a $64,258 cushion over well capitalized. Under the proposed rule that cushion would shrink to a deficit of $202,491.

The proposed rule allows for examiners discretion to increase the required Risk-Based capital ratio beyond the 10.5% to be well capitalized. Allowing examiners subjective authority in the field to arbitrarily establish capital guidelines higher than proposed would give credit unions a moving target and will provide inconsistencies throughout the credit union industry.

Credit unions would need more than the 18 month implementation period that is allotted in the proposed rule. Small banks were given nearly nine years to implement the Basel capital standards.

It is extremely important that changes to the credit union capital requirements be appropriate to the risk, fair to credit unions when compared to bank capital requirements and do not create a regulatory burden.

Sincerely,

Tom Stewart, CCUFC
President/CEO
Certified Credit Union Financial Counselor

Mid-Illini Credit Union
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