

From: [Jim Hagerman](#)
To: [Regulatory Comments](#)
Subject: RIN3133-AD77
Date: Tuesday, May 27, 2014 2:25:34 PM

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 55314-3428

Sent electronically to: regcomments@ncua.gov
Re: RIN 3133-AD77

May 27, 2014

Dear Mr. Poliquin:

On behalf of Linn Area Credit Union I appreciate the opportunity to comment on the National Credit Union Administration's proposed rule regarding risk-based capital. I encourage NCUA to withdraw the existing proposal to reevaluate what capital requirements are truly necessary to both ensure a sound financial balance sheet and allow credit unions to properly serve their members. Linn Area Credit Union has been serving eastern Iowa communities since 1935. We serve over 24,000 members and have over \$316 million in assets. A strong financial future is of the utmost importance to us. While I appreciate NCUA's commitment to a safe and sound industry the current proposal does not accurately reflect proper risk weightings nor does it allow sufficient time for us to implement any changes to capital requirements.

Over the years my credit union has developed the expertise necessary to responsibly use long term investments as a tool to strengthen the credit union. Significantly increasing the risk weighting based solely on concentrations of long term investments without regard to managements' level of expertise does not correctly evaluate the credit union's risk in this area. The risk weighting system penalizes my credit union for devoting the resources to safely use long term investments and develop expertise in certain areas. Weighting the investment in a Credit Union Service Organizations (CUSO) at a higher rate than other categories is also unjustified. The high risk rating does not account for the level of due diligence a credit union conducts concerning a specific CUSO, the credit union's history with the CUSO, or the performance of the CUSO to determine the appropriate risk. CUSOs are helpful to members to ensure a variety of services by specialists. However, a 250% risk weighting discourages further investments in these member service organizations.

As a credit union that will immediately be impacted by this rule I request that you provide a longer implementation period. Under the existing regulations Linn Area is a well-capitalized credit union but under the proposed regulation it will be classified as adequately capitalized. An 18 month implementation period is not a sufficient length of time to evaluate our current assets under new risk weightings and increase capital. I ask NCUA to provide a 3-5 year implementation period for any changes regarding capital requirements or risk weightings. Providing any shorter of an implementation period asks the credit union to reallocate an even higher percentage of resources that have been focused on direct member service to accommodate this regulatory change.

Given the strength of the credit union industry as a whole and the strength of my credit union I request that you reconsider such drastic changes to the capital requirements. Our credit union has closely monitored and properly accounted for risk for over 79 years and I do not believe this

proposal reflects our strong risk management capabilities.

Sincerely,

Jim Hagerman

President/CEO

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