Viriva
Community Credit Union
Your financial partner... for life.

May 27, 2014

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

Email: regcomments@ncua.gov

Re: Comments to the Proposed Rule on Risk Based Capital

Dear Mr. Poliquin:

Please be advised that Viriva Community Credit Union, a $70 Million institution serving approximately 10,000 members in a four county area of Southeastern Pennsylvania, opposes the Risk Based Capital (RBC) proposal due to the negative impact it will have on our ability to generate future income, as well as serve the needs of our members, by virtue of the unsubstantiated risk weightings assigned to loans, investments, and CUSO's. Also of great concern is the flagrant overreach into the natural person credit union's board rooms and managerial offices via proposed powers to be given to regulatory examiners.

As we're all well aware there is great risk in the financial marketplace, however the regulations currently in effect allowed the credit union industry to weather the roughest recessionary period suffered since the Great Depression. While some changes might be warranted, they should be enacted based solely on facts, as evidenced by actual losses suffered versus arbitrary risk ratings that far exceed those required of for-profit commercial banking institutions that have the means in place to raise alternative capital.

In regards to the risk weightings themselves these need to be reviewed more carefully, as all are arbitrary and the majority appear highly inflated. In regards to mortgage loans some consideration should also be given to the loan to value ratios of the properties securing said loans. Likewise the term of an investment is not the sole arbiter as to its risk, so changes are needed therein. Regarding corporate capital it seems you're taking a belts and suspenders approach that's not warranted, given the stringent capitalization rules already in effect for the surviving corporate credit unions.

As a minority owner in several different CUSO's, including business lending, shared branching and real estate services, I feel your proposal will limit the ability of CUSO's to provide cost-effective, innovative and collaborative solutions to both new and existing service and compliance related issues affecting the industry. A 250% risk rating on investments that allow credit unions to offer services they otherwise might not be able to afford seems counter-intuitive.

Additionally I believe the proposed powers under section 105(c) are far too liberal, especially in light of the issues raised within the industry over the past few years with rogue examiners and a questionable, at best, appeal process that places an unfair burden of proof on the credit union(s) involved.

As discussed with both our federal and state examiners it appears that the regulatory bodies are, by virtue of increased regulation and arbitrary oversight, making it extremely difficult for the small to mid-sized natural person credit unions to survive. Rather than foster mergers of equal or near-sized credit unions with declining capital (and poor chances of ultimate survival for various reasons) prior to their failure it appears we'll continue to see these institutions being swallowed whole into the bellies of the $500 million plus credit unions. It's assumed the regulators understand the irony involved, as the less credit unions there are the less the need for both regulatory employees and, if taken a step further, regulatory oversight entities.

Sincerely,

James F. McCaw

James F. McCaw
President/CEO