

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

Re: Comments on NCUA Prompt Corrective Action- Risk-Based Capital Proposed Rule

Dear Mr. Poliquin:

I am writing on behalf of Campus Federal Credit Union. We appreciate the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action- Risk Based Capital. While we support a truly well-balanced risk-based capital system, the proposed rule does not accomplish its stated purpose in its current form. If it were to be implemented as proposed, credit unions would find themselves at a significant competitive disadvantage to banks. We ask that the NCUA Board withdraw the rule or alternatively make major modifications to the proposal before any rule is finalized.

Some of our concerns with the proposed rule are detailed below:

CUSO's:

The risk weighting of 250% assigned to the investments in CUSOs seems to be arbitrary, and is not supported with any empirical data. The assignment of this risk weighting is counter-productive to the collaborative risk mitigating model that many CUSOs represent as a net income resource for credit unions. This risk rating applies a one-size-fits-all approach, when varying degrees of risk exist among CUSOs. Any exceptions to potential credit union risk should be managed through the examination and supervision process and not by a system-wide capital regime.

Mortgage Servicing Assets:

The mortgage servicing risk rating of 250% is likewise excessive in our view. The high-risk rating could discourage loan participation. Without loan participation, many credit unions would not be able to provide large loans needed by their sponsors or other large entities within their field of membership. We strongly encourage that this risk rating be significantly reduced. Risk should be determined and managed through the examination and supervision process.

Member Business Loans (MBLs):

An individual business loan's risk does not change based on the number of other business loans the credit union is holding. Concentration risk and credit quality issues should be addressed through supervision and examination.



Corporate Paid-In Capital:

Risk weighting corporate credit union capital might discourage credit unions from investing in corporate credit unions. Significant measures have been taken in the recent past to strengthen the corporate capital structure and reduce the risk associated with it. These mitigations efforts should be recognized and they should not be further penalized.

Goodwill:

Removing Goodwill will negatively affect credit unions that have had recent mergers by failing to allow them to fully realize the previously accounted for benefit. Such action could discourage mergers and make it more difficult for NCUA to find merger partners for credit unions that need assistance.

Individual Minimum Capital Requirements:

This measure is the most disturbing part of the proposed rule. It is highly subjective and provides no clear standards for implementation. Far too much power is given to the individual examiner. The subjective nature of this portion of the proposed rule makes it very difficult to make business decisions and adhere to standards laid out in the rule with a constantly changing set of rules.

Conclusion:

In conclusion, we support the idea of a risk-based capital regime for credit unions; however, the current NCUA proposal does not accomplish its stated purpose. If it were implemented as proposed, credit unions would be at a significant competitive disadvantage. As proposed, the rule has a one-size-fits-all approach and would serve to stifle growth and diversification at credit unions. We ask that the NCUA Board withdraw the rule or alternatively make major modifications to the proposal before any rule is finalized.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk-based capital requirements.

Sincerely,



Jane Verret
Chief Administrative Officer
Campus Federal Credit Union