TRUITY
CREDIT UNION

May 22, 2014

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

Re: Prompt Corrective Action; Risk-Based Capital

Dear Mr. Poliquin:

I am the President/CEO of Truity Federal Credit Union. We are a federally-chartered credit union headquartered in Bartlesville, Oklahoma with over $710 million in assets, serving over 68 thousand members. I appreciate the opportunity to comment on the proposed risked-based capital regulation. I support a fair and equitable risk-based capital requirement but am concerned with the proposed rule in the following areas:

- Need for the regulation
- Deduction of the NCUSIF capitalization deposit from capital
- Risk weightings
- Fair and equitable treatment with the banking industry

Need for the Regulation

We have operated under the Prompt Correction Action Net Worth requirement for many years along with an additional Risk Based Net Worth measure. The capital levels in our industry are significant. Your own statistics reflect that 90% of credit unions over $50 million in assets are considered "well capitalized" under the proposed rule, and this following the worst recession since the great depression. Credit unions have a history of operating in a safe and sound manner and taking appropriate risk on behalf of their members. During the most recent recession, our industry experienced a lower level of losses and institutional failures than the banking industry which is a testament to the way credit unions manage risk in the normal course of business. The significant change in risk-based net worth called for under this rule does not appear necessary or justified.

Deduction of the NCUSIF Capitalization Deposit from Capital

Generally accepted accounting principles allow a credit union to carry their NCUSIF deposit as an asset on their balance sheet. Credit unions voluntarily capitalized the NCUSIF in 1985. Since that time the fund has been maintained at a level of 1.2%-1.3%. I refer again to the most recent recession when the fund did not drop below 1.2%. We have had very few insurance fund assessments for other than growth of insured shares, and in fact in past years it was not unusual to receive a dividend on the deposit because of the strong performance of credit unions and the insurance fund. Under the proposed rule you are treating the deposit as if it has no ongoing value which is not consistent with GAAP, and in my opinion creates a poor public perception of our insurance fund.

Risk Weightings

In most asset categories, the proposed rule places more stringent risk weights than those for banks. Based on historical performance this seems unreasonable. In addition, you are trying to manage multiple types of risk with a single risk weighting metric, which is unlikely to achieve the stated goal.

In general, a focus on concentration levels without evaluating other mitigating factors seems inappropriate. If a credit union has more than 35% in first mortgage loans, more capital is required than having more than 35% in unsecured consumer loans which doesn't seem to be a fair evaluation of risk. This is particularly true if the first mortgage loans conform to secondary market standards. I would make the same argument for member business loans secured by real estate.

In the area of investments, the focus is on weighted average life. This ignores two key criteria, re-pricing and credit worthiness of the obligor. I would argue both of these criteria are important when evaluating risk. In addition, no consideration is given to mitigating factors such as re-pricing of liabilities. In other words, no credit is given for having an effective ALM process in place.

Finally, the risk weight for CUSO investments is proposed to be 250%. This is 2 ½ times greater than the requirement for banks. In addition, there is no consideration to business type or ownership structure. This requirement would have a devastating impact on credit unions willingness to collaborate on business investments which has been a backbone of our industry for many years and allowed us to compete with much larger business enterprises.

Fair and Equitable Treatment With the Banking Industry

As mentioned previously, the proposed risk weighting system increases the competitive disadvantage we have with the banking industry. As an industry today we have only one way of building capital, net income. We don't have access to the same sources of capital available to our competitors and by placing stricter capital requirements on us, you will further constrain our ability to expand, grow and remain competitive. This seems unreasonable when looking at the success our industry has achieved in a safe and sound manner.

In summary, I would argue that if your ultimate responsibility is the protection of the insurance fund, implementing rules that will have the impact of restricting growth and investment of our industry will not have the desired result. I encourage you to re-evaluate the need for this proposal at this time. Thanks for your consideration.

Sincerely,

Kelly Diven

Kelly Diven, President/CEO
Truity Federal Credit Union