NORTH COUNTRY
Your community credit union

May 27, 2014

Mr. Gerard Poliquin
Secretary to the NCUA Board
1775 Duke Street
Alexandria, VA 22314

Dear Mr. Poliquin:

I am writing on behalf of NorthCountry Federal Credit Union to comment on the risk based capital rule proposed by NCUA in January 2014. While we are supportive of the concept of Risk Based Capital, we have some specific concerns:

1) The risk weightings under the rule should be comparable to those which apply to the banking industry under BASEL III. The rule should not make the credit union charter less favorable than that of a community bank.
2) Agency issued investments (FNMA, FHMLC, FHLB) should have similar risk weightings as US Treasury investments. Presently, agency backed investments are considered as risky as any other type of investment (municipals etc.), even though these carry a recognized, implied guarantee by the US Government. While we recognize the guarantee is not explicit, the financial crisis of 2008 demonstrated the international faith and understanding of the safety of these investments.
3) We do not believe examiners should have the ability to add additional capital requirements based on examiner discretion. NCUA has sufficient enforcement measures and tools as part of the examination process to make reasonable judgments on the condition and management of individual credit unions without being able to impose truly arbitrary capital standards.
4) The risk rating of CUSO investments appears too drastic. CUSOs are organizations that provide opportunities for credit unions to collaborate and achieve cost efficiencies and income opportunities to help members, and these should not be discouraged. Further, while there have been high profile CUSO failures, we do not believe CUSOs in general represent significant risk to Credit Unions or the NCUSIF.

Thank you for taking the time to consider these comments. We look forward to reviewing the changes incorporated in the final rule.

Sincerely,

Robert

Bob Morgan
Chief Executive Officer

www.northcountry.org
northcountry@northcountry.org (802) 657-6847 (800) 660-3258

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