

From: [Greg Sonnen](#)
To: [Regulatory Comments](#)
Subject: Prompt Corrective Action Risk-Based Capital Comment Letter
Date: Tuesday, May 27, 2014 3:40:06 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Cottonwood Community Federal Credit Union (CCFCU), which is a community charter serving members in Idaho and Lewis counties in the state of Idaho. We have nearly 5,000 members and over \$78 million in assets. CCFCU appreciates the opportunity to provide comments to the NCUA on its proposed rule, Prompt Corrective Action - Risk-Based Capital.

Our current capital position is very strong, over 14% at year end 2013, and has improved to over 15% as of the March 31, 2014. Under the existing rules, we had a cushion of 771 basis points at year end. Under the new rule, that cushion drops to 570 basis points. This would require us to increase our capital position 2% to maintain our existing cushion. It is essential that we maintain a strong cushion to capitalize future growth and as added protection in lending business and other financial adversity.

Of equal concern is the proposal that capital requirements can be increased on a case by case basis. We are not sure who will be recommending and making these decisions and what type of conditions might require higher capital requirements.

While updating the risk based capital requirements may be necessary, it seems the proposal is more restrictive than required of small community banks. The implementation time is much shorter and the risk weighting to various loan assets seems to be base primarily on the relationship to total assets rather than inherent risk in the type of asset, especially considering the credit union industry faired reasonably well over the past 5 years of economic downturn.

While we agree the capital requirements may need updating, this proposed rule seems unduly restrictive, has too short of an implementation time, and should not allow for a case by case basis to increase capital requirements.

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

Sincerely,

Greg Sonnen
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