From:	Garth Strand
To:	_Regulatory Comments
Subject:	Comment on NCUA Risk-Based Capital Proposed Reg
Date:	Tuesday, May 27, 2014 4:16:25 PM

NCUA Board:

I am writing to express my concern over the proposed Risk Based Capital regulation that as written, severely and adversely impacts our 19,153 members. It appears that our credit union will lose approximately $2 million of capital cushion that we currently have built up over the current "well capitalized" measurement. Do you know how hard it is to accumulate $2 million in capital? In today's highly competitive industry? Under restraints found in the new Risk Based Capital regulation? My points are as follows:

1. I am not convinced this change is necessary in its current form nor well-thought through. While I am all for identifying and mitigating unreasonable risk, this new regulation appears to meet the archaic and ineffective theory of "If the only tool one has is a hammer, everything looks like a nail." That is to say, not all risk can be effectively managed by one blanket regulation. I believe the data on losses, on a per-capital basis, during the recent economic crises indicates banking losses far exceeded credit union losses although banks have long-since been subject to risk-based capital standards…in other words, it didn't work so good. I would much prefer additional funds be spent on educating and training examiners to efficiently and effectively identify risk in any form and make prompt recommendations for mitigation. Furthermore, I would support giving NCUA some form of power to impose higher capital requirements on a case-by-case bases as long as actions were properly adjudicated….scalpel vs. hammer.

2. Our credit union and our members would be severely impacted in the areas of mortgage lending, member business lending and CUSO investment. Our low income designation indicates the communities we serve are in need of both mortgage and small business lending. I must tell you that our losses on those two components of our loan portfolio are, over the long term, less than losses in our consumer loan component which historically runs below peer. Furthermore, the CUSO which we started 10 years ago provides mortgage servicing to 26 other credit unions. It has allowed those credit unions to provide mortgage loan services to their members in a manner consistent with credit union service and to do so with virtually no ALM risk as most loans are sold to the secondary market. I am hard pressed to understand why NCUA is attempting to label these business lines as "higher risk".

3. The proposed Risk Based Capital regulation appears to increase the complexity of operations in an already "stressed-with-compliance-mandates" environment. We should be pursuing simplicity vs. complexity. As with many complex systems, I believe there's a strong case for "unintended consequences" should the Risk Based Capital regulation be implemented as written. Credit unions are rightfully driven to serve their members. If presented with a list of "thou shalt not's", it seems a somewhat natural reaction will be some creativity to find the "what can we do's", again as compelled by a strong desire to

serve members.

In summary, I do not believe NCUA has substantiated the need for such sweeping regulation and therefore request that the proposal be withdrawn.

Thank you for the opportunity to comment.

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