From:	Jack Eling
To:	_Regulatory Comments
Subject:	Jack Eling - Comments on Proposed Rule: PCA - Risk-Based Capital
Date:	Tuesday, May 27, 2014 4:24:32 PM
Attachments:	image001.png

May 27, 2014

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration

RE: RIN 3133-AD77

Summary

1. The proposed generic asset risk rating will have a chilling effect on lending in low income areas in general, and on low income housing mortgages in particular
2. It allows no provision for rewarding good lending practices and penalizing those institutions that participate in poor lending practices
3. Makes no provision to support micro lending initiatives of business loans that will create jobs in low income areas

Dear Mr. Poliquin

The recent proposal to layer higher capital requirements for certain classifications of assets, in particular MBL and real estate mortgages, could significantly impact our ability to fulfill our low income designation charter. The proposed RBC guidelines could denigrate our credit union's ability to lend money in these “targeted” categories and could deter expansion of these important programs in our low income designated markets. The MBL lending in many low income designated areas is not characterized by multi-million speculative development loans that caused harm to the insurance fund in the past, but instead are loan amounts ranging from $5,000 to $250,000 that diversify risk and invigorate the economics in the local markets. The ability to access credit in rural low income areas is a life source for small businesses trying to survive in a difficult and changing environment. In addition, it is well documented at the federal level that there are concerns about low income members finding access to housing loans. This lack of funding availability will be exacerbated by adding additional capital requirements on credit unions that fund these types of loans. The RBC proposal will not have a positive result for all stakeholders in our market place and I do not feel that a blanket capital risk requirement plan for all credit unions is a beneficial way to protect the insurance fund. As a credit union that has survived a military base closing and a difficult recession in a low income designated area while expanding a strong capital position, it is important the regulators recognize individual markets credit needs and management of the risks on a case by case basis.

I do not believe the NCUA's intent is to create a decision point for a credit union lender of either absorbing a higher capital requirement for a $75,000 MBL loan versus the ability to add jobs to a low income area by funding the loan. The artificially elevated capital requirement may not be worth the penalty of higher capital requirements to an individual credit union.

Additionally, many banks are withdrawing from providing housing funding for low income borrowers because the mortgages may not be saleable. Therefore an important segment of the market will see low availability of mortgages at a time when the NCUA is requiring credit unions to allocate higher controls on capital allocation. The restrictions of more capital required for ARMS is in direct opposition to the stated goals of the NCUA to minimize interest rate risk for credit unions which ARMS offer competitive rates for members and balance sheet protection for credit union.

Insurance fund protection is important for all stakeholders, however, the unique managements and markets of our membership indicates that a one size fits all capital approach will not help achieve all of the goals of the credit union movement of providing credit services for members who have limited options and access to capital.

Thank you for the opportunity to provide comments on this proposed regulation.

Sincerely

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