From: Matt Kreuzer
To: _Regulatory Comments
Subject: Comments on Notice of Proposed Rule: PCA - Risk-Based Capital
Date: Tuesday, May 27, 2014 3:56:59 PM

May 27, 2014

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

RE: Prompt Corrective Action - Risk-Based Capital; RIN 3133-AD77

Dear Mr. Poliquin:

Please accept this correspondence as commentary concerning the National Credit Union Administration's (NCUA's) recently issued proposed rule to establish risk-based capital requirements for federally-insured credit unions. I greatly appreciate the opportunity to comment on the risk-based capital ("RBC") proposed rule and work collaboratively for the benefit of the credit union industry.

Central MN Credit Union as well as MnCUN generally support a modern, detailed and robust capital system that is thoughtfully implemented over time. However, considering how well credit unions generally weathered the most recent recession, it is questionable whether a sufficient basis exists to increase capital requirements at this time. As for the proposed rule itself, we do not support the layered approach that the new RBC requirements would place on top of the current Prompt Corrective Action ("PCA") system.

Central MN Credit Union and MnCUN appreciate NCUA's intention to help credit unions better absorb losses, establish a safer and more resilient credit union industry, and reduce risk to the National Credit Union Share Insurance Fund ("NCUSIF"). However, we cannot support the RBC proposed rule in its current form, and, although well-intended, find it carries significant, unintended consequences. We have a number of over-arching concerns regarding the proposed rule.

For my Credit Union, the ruling would have a <u>very significant impact</u>, as we are a large business and agricultural lender that has put capital in the hands of our local businesses for over 75 years with safe and sound operations. The below chart illustrates the estimated effect of the legislation for CMCU.

Proposed Risk Based Capital Requirement for Central MN Credit Union (CMCU)

	3/31/2014 Call Report	Compared to Banking Regulations
Asset Size	$ 827,867,725	
Equity+Contra Asset+Other Assets	$ 115,185,051	$ 115,185,051
Risk Weighted Assets-goodwill and other intangibles-NCUSIF	$ 970,351,585	$ 690,665,486
Proposed Risk -Based Capital Ratio	**11.87%**	**16.68%**

As you can clearly see, CMCU's Risk-Based Capital numbers would be significantly impacted. CMCU has worked diligently to ensure a strong capital ratio over our 75 years, and while engaging in sound lending practices. The proposed legislation would inequitably erode our capital that we have worked so hard to establish.

Regardless of best efforts on NCUA's part, there will continue to be credit unions that fail due to events outside of NCUA's control. However, credit unions must continue to be permitted to develop appropriate services and strategic plans that best serve its membership. In order for the industry to remain strong, in addition to regulation there has to remain room for credit unions to evolve, grow and succeed. We look forward to fostering this partnership.

Sincerely,

Matt Kreuzer

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