From:	Steve Canfield
To:	_Regulatory Comments
Subject:	Steve Canfield - Comments on Proposed Rule: PCA - Risk-Based Capital
Date:	Tuesday, May 27, 2014 4:21:39 PM
Attachments:	image003.png

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Mr. Poliquin,

We are writing to comment on the proposed changes to the Risk-Based Capital Rule, specifically the MBL risk weightings and treatment of certain investments and or deposits.

NW Preferred is an institution that was organized for insurance professionals in 1940 and a significant portion of our loan portfolio consists of working capital loans to insurance agents. In our experience, this portfolio has the least credit risk of any of our loan types and minimal interest rate risk due to the variable nature of these loans; however, under the current proposal we would be forced to curtail lending in this area in favor of consumer or real estate loans where we have both more interest rate and credit risk. Since our MBL portfolio is over 15% of assets any new dollar funded would have a risk weighting of at least 150%. We encourage the NCUA to match the FDIC and apply a 100% risk weighting to all MBLs.

There is a degree of irony here. NW Preferred was granted an exemption from the current statutory limitations imposed under the Credit Union Membership Access Act passed in 1998. Under the statute, we qualified for an exemption because our credit union had a long history (for decades) of making member business loans to insurance agents. The current RBC proposal seems to check Congressional intent in the area of MBL lending. We think the RBC proposal should be modified to take into account the unique business niches that some Credit Unions fulfill. The 150% risk weighting will effectively cap member business lending in our credit union.

It appears the current proposal makes no distinction between deposits at the Federal Reserve and deposits at other institutions. Since there is no credit or interest rate risk, deposits at the Federal Reserve should have a risk weighting of 0%. To facilitate this treatment, it would be easy to separately identify balances at the Federal Reserve on the Call Report.

And finally, the proposal is inconsistent with how the other US banking regulatory agencies weight FDIC insured investments. The RBC has a risk weighting of 20 or more percent – depending on maturity. The Federal banking agencies have a zero percent risk weight. It strikes us that these should be similar – especially for shorter term instruments that pose no credit risk and little interest rate risk.

Sincerely

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