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May 21, 2014

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

Re: Resource One Comments on Proposed Rule: PCA – Risk-Based Capital

Dear Mr. Poliquin:

Thank you for allowing me the time to voice my opinion regarding the NCUA's Proposed Risk-Based Capital (RBC) Rule. I believe NCUA's RBC proposal has its merits. But in its current form, the proposed rule will have a negative impact on the national credit union industry and its over 92 million members. Let me assure you, that I share my concerns with the proposed NCUA's RBC rules not to hinder progress or block its implementation, but with the sincere intent to improve and strengthen the proposal

It appears that NCUA's risk-based capital ratio generally mirrors the Basel III model currently used by banks. When comparing the two RBC models, it is obvious that the proposed NCUA RBCs risk weightings are much more harasser than those used in the Basel III calculation. This is especially true with Mortgage, Commercial and delinquent Consumer Loans. Consumer and Mortgage Loans are the two most popular lending products our members demand from us on a daily basis. It is my opinion, that the larger NCUA RBC risk weightings assigned to Consumer and Mortgage loans will negatively impact the availability of credit to 92+ million Americans. Moreover, NCUA's proposal threatens the very business model that has helped credit unions remain relevant in the market place for so many years. I question the reason why the NCUA would want to introduce new regulations on an industry that struggles to keep its foothold in the market place. This especially penalizes credit unions because unlike banks, they have no alternative methods to raise capital except by earnings.

I do not understand the necessity for a new, more stringent Risk-Based Capital rule. Credit unions have long positioned themselves to be able to withstand economic hardships. The industry came through the December 2007 recession, and the sub-prime mortgage crisis with only a minor number of casualties. It does not get much worse than that. Especially when you consider, that many economists called the 2007 recession the largest economic crisis since the Great Depression of 1929. Throughout this economic turmoil, the credit union industry stood strong and worked through their issues without asking for one penny of the taxpayers' hard earn money. History has demonstrated that the movement is adequately capitalized. I am concerned that the actual cost of this additional capital will come at the expense of our members.

In regards to lending, the RBC proposal has a weight-risk of 150% for delinquent loans, while banks are only at 100% risk-rate. This excessive discrepancy between credit unions and banks is simply unfair. Keep in mind that bank report delinquency after 90 days while credit unions do it after 60 days. In addition, Share-Secured loans have a risk-weight of 75%, but if credit union holds the deposits as collateral, should these even be included in the RBC calculation? At most, if anything, the risk-weight should not be above 10%. Performing collateralized consumer loans should have a lower risk weight than unsecured consumer loans. Resource One's historical delinquency rate for differs between secured and unsecured loans, which are 1.23% and 3.12% respectively.

I appreciate the opportunity to voice my concerns regarding the proposed Risk-Based Capital Rule. I sincerely hope you take my comments and views into considerations for possible improvements on the proposal. Thank you again for the opportunity to voice my opinions and comments on the proposal.

Cordially,

A handwritten signature in blue ink, appearing to read "Jim Ladner", with a long horizontal flourish extending to the right.

Jim Ladner, CPA
Chief Financial Officer
Resource One Credit Union
Dallas, Texas