KANSAS TEACHERS COMMUNITY CREDIT UNION

May 23, 2014

Gerald Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke St
Alexandria, Virginia 55314-3428

Dear Mr. Poliquin:

KTCCU is a member of the Kansas Corporate Credit Union and has a PCC investment. As the President of the Kansas Teachers Community Credit Union, I wish to comment on the proposal concerning risk based capital requirements for federally insured credit unions.

We believe the risk weight associated with a Perpetual Contributed Capital (PPCC) investment in corporate credit unions is too high in consideration of the risk limitations that were placed on corporate credit unions when the new regulations were adopted by NCUA several years ago, combined with the new business model adopted by our corporate credit union in meeting their capital goals.

Some parts of the proposal we do not agree with are:

- Under the risk-based capital guidelines for the banking industry, investments in Federal Home Loan stock is risk-weighted at 20% (ten times lower than for corporate credit union perpetual capital) despite be an at-risk capital investment.
- The proposal penalizes credit union twice by imposing an after-the-fact high risk weight for credit unions that are committed to preserving and strengthening corporate credit unions and then the corporate credit unions are unable to count 100% of the perpetual capital in the calculation of their Leverage Ratios beginning in October 2016.
- Risk-weighting for CUSO investments at 250% is too high. Our concern is that this will discourage future innovation in the credit union industry.
- The risk-weightings assigned to most of the loan and investment categories are inordinately high and vary substantially from the Basel III rules imposed upon community banks.
- The proposal has a subjective clause which provides for overreach in examiner authority. Why should there be a need for subjective examiner interpretation?

It seems ironic that as NCUA is proposing risk-based capital regulations, the banking regulators appear to be abandoning risk based capital and returning to a simple Leverage Ratio, similar to current credit union industry standards with the minimum net worth requirement. On April 8, 2014, the Federal Reserve Board, the FDIC, and the OCC adopted a final rule to strengthen the Leverage Ratio standard for the largest U.S. banking organizations. They are recognizing that despite the risk-based capital requirements previously in place, they did not prevent the financial crisis that occurred in 2007 and 2008.

If the proposed risk-based capital requirements become final, once again credit unions will be managing to meet regulatory requirements instead of managing to meet member needs and further eroding the value of our cooperative structure.

Sincerely,

Mark Kolarik
President

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