EASTERN UTAH COMMUNITY
CREDIT UNION

May 23, 2014

Mr. Gerald Poliquin
Secretary of the Board
National Credit Union Administration
Alexandria, VA 22314-3418

Re: NCUA proposed risk based capital requirements

Dear Mr. Poliquin:

We are writing to respond to the proposed risk based capital (RBC) rule. Most individuals would applaud a capital structure that would provide more safety in the industry and this rule could make sense if the rule was structured properly and also addressed those who truly add more risk to the system. However, the rule as proposed, seems to be one that exposes credit unions to the "whims" of examiners and perhaps needs some changes to be fair and effective.

The rule seems to place all credit unions above $50 million in the same defined category, complex. All credit unions above $50 million are not complex and some operate relatively simplistically. Conversely, it seem that many failures over the past year are in categories below the $50 million threshold and have had very complex operations. In addition, during the last recession, it appeared that credit unions were not the root cause of all the problems in the financial services industry but were the "go to" provider of financial services when they were most needed. Perhaps a more informed and fact related approach to the problem is in order to determine the structure of the rule.

The proposal includes the ability of examiners to determine additional capital requirements. Over the past years we have experienced a mix of examiners with varying degrees of expertise. Some have chosen to examine our credit union on the merits of the operations, others unfortunately, have their own personal agendas and visions that guide the exam rather than the financial merits of the operation. This exposes our operations to a "moving target" when left to the examiners own judgment. The authority given to examiners to impose heavier requirements is unacceptable.

Risk weighting should be completely readdressed. It defies logic, as an example, that a 30 year mortgage has a risk weight of 50% and a 30 year agency risk weight is 150%. The agency carries little risk in relation to the mortgage, yet, the risk weighting is 3 times greater. The weighting of loan types as well as investments should be carefully reviewed to provide a more common sense weighting reflecting the true risk of the instruments.

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The RBC rule appears to be flawed in many areas. Perhaps the NCUA should examine the need for such a rule. If it's determined that RBC is necessary, representatives of the industry as well as regulators should partner to develop a rule that is fair, addresses the identified risk, and a rule that achieves the desired capitalization to mitigate the deficiencies and risk. However, many of the risks could be mitigated by enforcing the existing rules and regulations and by being more consistent with the exam process. Some rules and regulations are enforced at one credit union and those same rules are allowed to be ignored at another.

Thank you for the opportunity to comment on this proposal.

Sincerely,

Michael S. Milovich

Michael S. Milovich
President/CEO