

From: [Dennis Degenhardt](#)
To: [Regulatory Comments](#)
Subject: Prompt Corrective Action - Risk Based Capital Comment Letter
Date: Tuesday, May 27, 2014 5:07:22 PM

Dear Friends at NCUA:

Having gone through the worst economic conditions since the Great Depression, I am struggling with this "need" for Risk Based Capital (RBC). During the past five years, we took losses and saw bad times, yet Glacier Hills and most credit unions survived because of our cooperative nature of placing our members before profits. Why this makes a difference is because we had to protect our members money, their capital and not chase every last dollar of profit for the greedy shareholders like the banks did (and still do). That concept and the current capital structure proved that credit unions can survive. There were far more bank failures, 489, between 2007 and 2013 than there were for CUs, 141; 347% more.

At Glacier Hills, we unfortunately were one of 20 credit unions that owned Central States Mortgage and lost over \$3M in doing so. We saw our capital drop from over 11% to 7.14% by the end of 2009. Please don't take this wrong but we didn't want a new partner in our Credit Union, NCUA and the WI OCU. So, we took steps to preserve our net worth ratio and turn around the ship before it hit the iceberg. We froze salaries, dropped the 401(k) match, almost completely stopped marketing to return to profitability. We looked at the income statement and tried to squeeze every expense and find new revenue. What was the primary motivator? It was the 7% floor on being Well Capitalized and avoiding PCA by falling below. We didn't need any new Risk Based Capital ratios to protect Glacier Hills for its members and RBC now won't make a difference. We weathered the worst of the storm and are back above 8%, pushing for 9% (and then 10%). So after surviving the worst of times, why now propose RBC?

We learned a lot, the hard way, and our corporate memory will always have an eye out for shady business practices. But in the learning process, we also were not able to help the consumers and our members as we would have liked to do so because of the threat to our capital. And we saw this with CUs all over the country who wanted to do what we do best, help, yet couldn't when we were needed the most. Now as the banks continue their unfriendly policies and fees, we have seen membership growth of 3.5% and 3.25% the past two years because we can help again. We are ever watchful on our reserves and try to control growth while the local banks send us new members every day. My concern is the new RBC proposal will cause Glacier Hills and CUs nationally to retreat to the practices of the troubled years and not be able to help our members and consumers as they sorely need. We survived and now more restraints will be placed on us, why?

Adopting BASIL type capital for CUs seems very misguided after seeing how well it didn't work for the banking sector during the Minor Depression and slow recovery. It not only didn't protect the banks but it did cause them to pull back on lending when the country needed that the most. Credit unions did not stop lending, continued to meet the needs of our members and our communities. This illustrates the credit union difference and the reason to champion that difference, not destroy it.

Others have asked why the different RBC percentages for different assets and liabilities. They have delved deeper into that and I agree with their assessments. If RBC moves forward, it needs drastic, common sense changes to protect the industry's ability to serve their members by helping them in a time of need.

Finally, the original 1934 Credit Union Act and much legislation since then not only nationally but at the states level promoted credit unionism as one of the roles for NCUA and the state credit union regulators. It remains in the Wisconsin laws. RBC is not championing the CU difference or what the cooperative movement can do for consumers and communities nationwide, it instead damages the industry and what we represent and present to the financial industry, a peoples champion. RBC will make doing so more difficult without any strong benefit.

Thank you for your consideration.

DDD

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