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May 28, 2014

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

RE: Comments on NCUA Proposed Rule: Prompt Corrective Action—Risk-Based Capital

Dear Mr. Poliquin,

The Kansas Cooperative Council welcomes the opportunity to comment on NCUA's proposed rule regarding risk-based capital. The Kansas Cooperative Council (Council/KCC), founded in 1944, represents all forms of cooperative businesses across the state -- agricultural, utility, credit, financial and consumer cooperatives. Credit unions represent a substantial portion of the Kansas cooperative family. The Kansas Credit Union Association (KCUA) is an important member of the Council and through KCUA, the KCC connects to more than 90 individual credit unions and their more than 600,000 Kansas credit union member-owners. Credit unions are spread across our state, serving communities of all sizes – large, medium, small, urban, suburban, and rural. Our comments in this submission, though, are focused on impacts the risk-based capital rule could have on rural credit unions.

Access to a broad range of credit options is critical to rural residents, small businesses, agriculture producers and agribusinesses. These enterprises form the backbone of most rural communities across our state. Cooperative financial institutions play a major role in providing capital to farmers, ranchers and rural Kansans. We firmly believe the presence of multiple financial outlets, including cooperative financial institutions such as credit unions, fosters a competitive lending market, benefiting all borrowers.

Kansas credit unions have a strong track record of safety and soundness. Although we understand certain regulatory requirements are appropriate to ensure the health of financial institutions, such regulations must be reasonable. Our Council is concerned that the proposed risk-based capital rule goes beyond what is necessary to the point that access to capital in rural areas, via the credit union system, may be unnecessarily restricted.

Congress enacted an exemption for rural based credit unions so that they would not be subject to the 12.25% cap on business lending. As we understand it, if the rule is finalized in its current form, this exemption is essentially eliminated and a significant number of credit unions may have to discontinue or decrease agricultural lending. As we noted above, we are concerned that will limit credit options available in rural communities.

We strongly encourage NCUA to modify the proposal to ensure on-going credit union participation in financing agriculture and rural communities across Kansas and across the country. Thank you for the opportunity to provide in-put on this matter on behalf of cooperative members throughout Kansas.

Sincerely,

Leslie J. Kaufman

Leslie Kaufman, President/CEO
Kansas Cooperative Council