

Gerard Poliquin,  
Secretary of the Board  
National Credit union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

As a Member of the Management Team of Langley Federal Credit Union, I would like to comment on the National Credit Union Administration (NCUA) proposed risk based capital rule. I appreciate the opportunity to provide my thoughts on this far reaching regulatory proposal, to express some of my concerns about the potential negative impact of the proposed rule on credit unions.

Risk based capital for credit unions has been discussed for a number of years. The current proposal appears to be overly conservative and unwarranted given the recent great history of credit unions.

-- And risk weightings must be properly calibrated before the proposal can move ahead.

Specifically, some credit should be given to credit unions with minimal losses in their business lending portfolio. When the Credit Union Membership Access Act was passed by Congress, credit unions chartered for the purpose of making business loans (church credit unions, agricultural credit unions, taxi medallion credit unions, etc.) were carved out from the statutory lending cap of 12.25% of assets.

Their concentration in business loans was accommodated as being different from the business loan portfolios of other credit unions. Under the proposal, these credit unions are being penalized tremendously by the risk weighting of all other business loan portfolios.

A similar approach should be applied in the mortgage lending area. The risk weights in the mortgage area are not as punitive as those in the business lending portfolio and there must be some balance put into the risk weights for both mortgage and business loans. Any capital or net worth system that does not accommodate the difference in asset risk-based upon the historical performance of the financial institution is flawed.

Corporate credit unions have had more regulatory changes over the past five years than any other sector of the credit union system. Additional capital requirements proposed are just not needed.

Most importantly, no rule should afford any greater authority for an individual examiner to impose additional capital requirements on a case-by-case basis. . It is absolutely essential that credit unions understand clearly what their capital and net worth expectations will be.

In any event, Credit unions need a minimum of three to five full years to prepare for this regulation once it is finalized. The effective date of the final rule implementation should be in the year 2020.

Thank you for the opportunity to comment and please note that I support a balanced risk-based capital system. However, I do not support the current proposal because it is unbalanced and needs significant revision before it is finalized and implemented.

Respectfully,

Michael S. McNabb  
Vice-President of Consumer Lending  
Langley Federal Credit Union