May 28, 2014

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

Re: Comments on Proposed Prompt Corrective Action – Risk-Based Capital Regulation (RIN 3133-AD77)

Dear Mr. Poliquin:

I am writing on behalf of Collins Community Credit Union (CCCU). We have approximately $770 million in assets and serve approximately 63,000 members in 31 counties in eastern and central Iowa. CCCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action – Risk Based Capital.

CCCU supports the NCUA's authority to ensure the safety and soundness of both individual credit unions and the overall system of credit unions; however, we have concerns about the Risk-Based Capital Regulation proposal. We believe the proposal will have an overwhelmingly negative impact on the credit union industry in general and, more specifically, to CCCU in particular.

The proposed risk weightings being considered as components of the denominator and numerator runs counter to the NCUA's intent of addressing all of the various risks associated with a financial institution (i.e. credit risk, interest rate risk, concentration risk, liquidity risk). The proposed risk weighting system based primarily on weighted average life of an asset is a narrowly defined metric that is an inadequate measure of the various risks associated with the assets. CCCU has mortgage-backed securities in our investment portfolio that have implicit and explicit guarantees from the United States yet they are treated as being riskier than a mortgage loan we have in our loan portfolio. Whereas the former has primarily interest rate risk associated with it, the latter has primarily credit risk associated with it. In our history, we have been more severely impacted by credit risk related issues than by interest rate related issues, yet the proposed regulations would effectively push us away from the historically safer investments and toward the historically riskier loans.

CCCU has a significant amount of member business loans (MBL). We provide a valuable resource to our members who own and operate businesses in our market. The proposal would curtail our ability to continue making MBLs due to the risk weightings associated with those loans. The impact to our members would likely result in limiting their alternatives for financing and the lack of competition would drive up the cost of financing for those members or effectively shut the members out of the ability to gain access to financing. Lacking access to financing, or having access to financing but at a higher cost, our members would be less able to grow their businesses and employ more people which is the foundation for helping the communities we serve to flourish.

The NCUA currently has an interest rate risk rule, concentration risk rule, and liquidity rule that provide sufficient regulatory guidance for credit unions to identify the related risks and structure their respective balance sheets according to each credit union's relative market, expertise, and management ability. The proposal would impose a significant penalty on credit unions that have gone through the work of monitoring and managing their balance sheet risks and largely limit management from continuing their asset liability management practices that have traditionally built a well capitalized industry.

One of the stated intents of the proposal was to create a better, more consistent method for evaluating the risks inherent to financial institutions so that credit unions could be evaluated alongside banks and the metrics would be similar for consistency's sake. Upon closer examination, the risk weights accorded in the proposal are dramatically different and inconsistent to the risk weights in Basel III. This effectively eliminates the ability to compare institutions across the spectrum.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements. While CCCU supports the position that each financial institution should maintain adequate capital levels to support it strategy and not negatively impact the National Credit Union Share Insurance Fund, we do not agree that the proposal's risk weightings provide a sound measure for including all material risks. We encourage the NCUA to reconsider the proposed rule and to consider each institution as an individual situation rather than paint all institutions with a broad brush that disproportionately impacts well-run credit unions and encourages them to make decisions that are contrary to sound risk-based practices.

Sincerely,

Richard J. Benhart, President/CEO
Stefanie Rupert, EVP/COO
Ben Wickum, Finance Director