From:	Kenny Harrington
To:	_Regulatory Comments
Subject:	MemberSource Credit Union - Comments on Proposed Rule: Risk-Based Capital
Date:	Wednesday, May 28, 2014 11:30:52 PM

Dear Mr. Gerard Poliquin:

On behalf of MemberSource Credit Union, I would like to offer the following comment letter on the recent NCUA proposed Risk Based Capital Rule. We respectfully disagree with NCUA's ability to impose such any capital standard that is more or less strenuous than the current net worth standard that was imposed by Congress in 1998 establishing a 7% net worth ratio for a credit union to be considered well-capitalized. The proposed rule puts credit unions at a disadvantage in being a competitive player in the financial services market and jeopardizes the long-term viability of the credit union charter. The following addresses concerns and/or improvements to the rule:

· The proposed rule provides no relief from the existing 7% PCA net worth standard and only places additional regulatory standards on top of the existing statutory standard. This seems to place additional burden on credit unions with no offset or benefit from the rule's implementation

· While part of the reason for the proposed rule was to provide comparability as per Dodd-Frank with bank capital standards, the proposed rule appears to be more punitive on credit unions that the Basel rule for banks due to concentration risks.

· No credit is provided to a credit union for positive performance in mortgage loan or MBL asset categories.

· Performing consumer loans with collateral should have lower risk weight than unsecured consumer loans.

· The risk weighting for mortgage loans and MBLs are totally concentration based with no regard to the loan to value, credit rating or performance. These should be critical factors in considering risk.

· Classifying CUSO investment at 250% seems arbitrary and gives no consideration as to the performance of the CUSO and whether or not the value of the CUSO investment has performed at a level that has increased the asset above the initial investment due to the profitability/equity built within the CUSO.

· Examiner discretion provides one of the greatest concerns in the rule. This feature creates a moving target based on the view of the examiner and makes it difficult, if not impossible, for the management and board of a credit union to manage its growth and direction.

· The proposed 18-month implementation period under the rule is not sufficient time for a credit union to adjust their balance sheet to effectively comply and would cause some credit unions to become subject to PCA due reductions in income. The implementation period should be phased in over a three to five year period of time.

· It is critical to exempt credit unions with a history of making business loans (especially credit union that deal with churches, agriculture and medallions) from concentration risk multipliers to provide for their continued viability.

· Bank and credit union CD investments under the insured limits of FDIC and NCUA should be excluded from a risk weighting.

We appreciate NCUA's willingness to allow commentary on the proposed Risk Based Capital Rule. It is our opinion that the rule, as written, will be detrimental to the long-term viability of the credit union movement.

Sincerely,

Kenny Harrington
President/CEO
MemberSource Credit Union
Sent from my iPad