



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

May 20, 2014

Dear Mr. Poliquin:

I have waited this long to comment on the proposed Prompt Corrective Action – Risk Based Capital proposed rule in the hopes that I would be able to address this in a relatively calm manner. Latah Federal Credit Union serves the people of Latah and Benewah Counties and that portion of Kootenai County designated as the Coeur D’Alene Indian Reservation. We currently serve 6,668 members (over 15% of the population) and hold \$71 million in assets. The last four years have presented tremendous opportunity for us to grow from \$45 million in assets in part from the loss of faith in the banking industry and in part from a branding campaign that let people throughout our field of membership know who we are and what we are about. As deposits have come flowing in, our net worth ratio has dropped to a still healthy 9.96% from 14%. We are working to put more loans on the books thereby boosting income and adding to our net worth position but struggle to keep up with growth.

This proposed rule would undermine what we are trying to do through mortgage loans, member business loans and the Credit Union’s investment strategy. We understand the need to maintain a Well Capitalized Credit Union and are working diligently to grow our capital in concert with our assets. The risk weighting of the various asset categories will shrink our well capitalized cushion by a total of \$485,382. What is really driving this letter, though, is that a Risk Based Capital solution is not even warranted. Congress has already mandated more capital for credit unions than for our banking counterparts. Credit unions did not cause the financial crisis the country has just passed through and credit unions are not the cause of the stalled recovery efforts. By all indications, credit unions are the tool by which recovery is happening. Our willingness to offer mortgage loans to members of modest means at a time when several institutions refused to do so helped to spur the mortgage market. Our willingness to embrace member business loans when banks were calling their loans due has helped to hold up the small business sector of the economy. When no one else would, credit unions stepped into the gap and gave credit. Now we are being penalized for the help we gave by the Regulator who pushed us to give it.

Senator D’Amato said it most eloquently when he stated, applying a risk-based capital standard to determine whether a credit union is well capitalized or not “would be inconsistent with the intent my colleagues and I had when we crafted the credit union version of Prompt Corrective Action (PCA) in 1998 and exceed the authority we conveyed to the NCUA under the Federal Credit Union Act (12 U.S.C. 1790d (d) (2)).” As our examiners continually inform us there is a proper way to go about changing rules and regulations. Must we now remind our Regulator there is a proper way to change the Act? If you, as Regulator, don’t like the way the Act is written you

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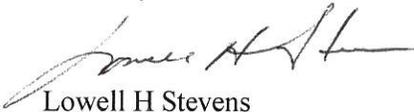
may ask Congress to change the Act to say what and how you would like to say it. That, however, would mean having to defend and explain the weight classifications in all areas of the proposal which would open the door for a secondary capital discussion and an increased regulatory limit for member business loans and mortgage loans. Embracing those conversations before Congressional Committees would likely establish the fact that credit unions could hold more risk on their balance sheets without increasing any capital requirements as proposed.

I could go through each of the risk weightings picking each piece of the proposed rule apart, but I see nowhere in the proposed regulation, the justification for any risk weighting as determined by law. Even approaching this from the general fallback position of a safety and soundness aspect doesn't address how the different weight categories were determined and backed up by statistical or mathematical means. The inclusion of an arbitrary determination by the examiner to require additional capital even if the credit union conforms to all the gyrations demanded of the proposed rule is another ridiculous determination that would keep all credit unions in a state of flux from one exam to the next... from one examiner to the next.

Follow the proper path for changing the capital required for PCA and regulatory purposes and I will be your strongest supporter. Give us the chance to sit before a Congressional Committee to explain our case in response to your proposal and give the law making back to the people elected to do so.

Thank you for the opportunity to express my thoughts on this issue.

Sincerely,



Lowell H Stevens  
President/CEO