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| **From:** | John Newett |
| **To:** | _Regulatory Comments |
| **Cc:** | Ron Collier; John Newett - INDIANA MEMBERS; Todd Habig |
| **Subject:** | Prompt Corrective Action Risk-Based Capital Comment Letter |
| **Date:** | Wednesday, May 28, 2014 10:10:13 PM |

I am writing on behalf of Indiana Members Credit Union, which represents $1.45 billion in assets and serves over 110,000 members primarily in Central Indiana. Indiana Members Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, **Prompt Corrective Action - Risk-Based Capital**.

Indiana Members Credit Union has consistently had net capital in excess of 10 percent, and has operated in a conservative manner for many years. We believe in the power of capital, and under the current proposal, Indiana Members would show substantially higher risk based capital (RBC) compared to our current net capital position. However, with much growth or change in our loan and asset mix, our RBC would be diminished greatly.

The current proposal focuses only on the asset side of the balance sheet and does not account for any asset liability management offsets on the liability side. It also infers that there is a much higher risk for credit unions in similar asset categories than for banks, and wrongly deducts both “goodwill” and the NCUSIF from the capital calculation. These higher risk-weightings being applied to credit unions would put us at a competitive disadvantage to community banks, particularly with member business lending, and residential mortgage lending.

We understand the concern and NCUA’s desire for some version of risk weighted capital; however, we do not feel like the current proposal accurately represents the risks associated with each category. **A well thought out risk-based approach should be developed to replace the existing leverage net worth ratio, not as an additional capital hurdle to meet.**

Perhaps our single biggest issue is with the ability of NCUA to arbitrarily impose higher capital requirements on credit unions on a case- by-case basis. There is no need for, or basis for this additional discretionary power.

If some version of risk-based capital is implemented, eighteen months would not be nearly long enough to implement a revised risk-based capital rule. (Banks had nearly nine years to fully implement a similar rule.) The outcome of a new regulation must be effective in both the short and long term, without hindering credit unions ability to grow, offer new services, and diversify into the future. The current proposal would hinder all of these important focus points for credit unions.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

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