Greater Iowa
CREDIT UNION

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May 28, 2014

Join us. We're Greater Iowa.

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

Sent electronically: regcomments@ncua.gov
RE: RIN 3133-AD77; Risk-Based Capital Rules Comments

Dear Mr. Poliquin:

Greater Iowa Credit Union, a natural person cooperative in Iowa, appreciates the opportunity to submit comments regarding the Administration's proposed regulation for Risk-Based Capital. Greater Iowa is a $330 million well capitalized community credit union serving over 30,000 members in central and western Iowa. While we understand the concept of a risk-based capital structure, we have serious concerns that the proposed regulation would restrict our ability to offer financial products and services to our members that would meet their needs.

NCUSIF Deposit: The proposal gives no credit to our deposit and inappropriately lowers a credit unions risk-based capital position. A credit union's deposit in the NCUSIF is an asset under GAAP. Most importantly, it is an asset of significant value to a credit union as it represents the presence of federal deposit insurance and should be included in a risk-based capital ratio calculation.

ALLL: The cap of 1.25% should be removed given the proposed accounting for credit losses recently issued by FASB. There is speculation that credit unions' ALLL could increase over 50% if the FASB proposal is accepted. This in combination with the proposed 1.25% cap would have a very negative impact on credit unions for complying with GAAP.

INVESTMENTS: To assign a 10 year duration to an equity investment and a 200% weighting does not seem to fit the risk. There is no interest rate risk, no duration penalty. It is a liquid asset, available in cash in one or two days without penalty. It would seem to be more consistent with risk ratings to have this investment mirror an investment in the 0 to 3 year categories.

The proposed risk rating for GSE issued Mortgage-Backed Securities is not consistent with the risk rating of first mortgage loans. If the first mortgage loans are secondary market eligible, the credit union could swap its first mortgage loans to a GSE and get back GSE guaranteed Mortgage-Backed Securities backed by the same first mortgage loans. Credit Union interest rate risk profile is unchanged while all of the credit risk in the first mortgage portfolio has been eliminated. However, because of the risk ratings for securities greater than 5 years, the credit union would significantly reduce its Risk-Based Capital Ratio.

There is an appearance of inconsistency where some investments should be categorized. U.S. Government obligations guaranteed by the full faith and credit of the U.S. Government fall into the 0% risk weighted category. Treasury bills, notes and bonds (including zero coupon bonds and STRIPS) also belong in the 0% risk-weight category. However, it does not specifically address GNMA or SBA securities, which based on the above guarantee, should also fall into the 0% category.

CUSO INVESTMENTS: Weighting an investment in a CUSO at 250% while weighting a loan to a CUSO at 100% seems to be inconsistent. These two should have similar risk ratings since they are similar financial vehicles for the credit union.

MBL RATINGS: The graduated scale of risk ratings based solely on % of assets misses the real risk of lacking expertise and experience. We could support a graduated risk scale based on expertise and experience.

IMPLEMENTATION: The Administration implementation timeline of 18 months needs to be extended to allow credit unions time to position their balance sheets accordingly. An 18 month implementation could cause credit unions to make drastic changes that would negatively impact members' services.

Thank you for the opportunity to comment on this proposed ruling.

Respectfully

Scott Zahnle

Scott Zahnle
President/CEO
Greater Iowa Credit Union