May 27, 2014

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

Re: Comment to Proposed Prompt Corrective Action: Risk Based Capital Rule
RIN 3133-AD77

Dear Mr. Poliquin:

It is not my practice to write comment letters regarding proposed actions by the NCUA Board. As a matter of fact, I believe that this is my first ever effort to do so. Because I am not accustomed to this method of responding to the Board, I'm sure that you will receive many other letters which will be better written and which will contain much better arguments against this proposed rule than I will present. However, as the President of one of the smaller credit unions to be initially impacted by this proposed rule, (we have assets of approximately $64m), I feel that I must respond as best I can.

Our current net worth percentage is 10.63% and using your calculator for proposed risk-based capital rule we would be considered well capitalized with a risk based capital ratio of 14.69%. This should give us a great deal of comfort about the proposed rule, but it doesn't.

First, while some credit unions go under each year, the losses to the share insurance fund have been very manageable and the reports we receive indicate that there is actually a surplus in the fund which has been applied to offset the balance due on the corporate credit union assessment for each of the last two years. This would indicate that, overall, credit unions are not posing a serious threat to the NCUSIF. In addition, you have indicated that only a small percentage of credit unions potentially affected by this proposed regulation would have to raise capital to meet the minimum standards. If this is true, then why is a change in the way we all are regulated necessary to protect an insurance fund that is regularly overfunded and at very little risk of significant loss.

You state in the calculator that the proposed rule is to make the credit union risk based capital ratio "more consistent with the approach used by the other banking agencies". If this is true, and I would argue still not necessary, then why not use exactly the same weightings used by the other banking agencies.

You recently opened the doors to many more credit unions being categorized as "low Income" which, supposedly, would allow those credit unions to go beyond the current rules limiting member business lending. You then propose this rule which immediately closes that door by making higher concentrations of member business loans a requirement for significantly greater net worth.

We recently completed a joint examination between our state regulator and the NCUA. With regard to their opinions about our current state of affairs it seemed to me that the on-site examiners already had a great deal of discretion with regard to our operations and capital position. According to your new calculator, we are well capitalized in every sense of the word and by both your current and proposed regulation. However, because an examiner is uncomfortable with any aspect of our operations this rule would give them the authority to arbitrarily declare that we needed to increase our net worth, decrease some area of lending or investing, or shrink the credit union no matter what the actual numbers indicate. Examiners already have enough power, this would put them in charge of every aspect of running the credit union. Regulators should regulate, not run, credit unions. Telling us, down to minute detail, what products and services we can offer effectively runs the credit union.

Obviously, we, like most of the people you will, and have, heard from do not agree that this rule is necessary at all. We are not banks. You don't want us to become banks, so quit trying to regulate us into becoming banks.

Sincerely,

Cliff Williams, President/CEO
Hayward Community Credit Union
Hayward, WI