From:	Debie Keesee
To:	_Regulatory Comments
Subject:	Debie Keesee - Comments on Proposed Rule: PCA-Risk-Based Capital
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May 27, 204

Gerard Poliquin, Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3438

Dear Mr. Poliquin:

Thank you for the opportunity to offer comments on the PCA-Risk Based Capital rule currently under proposal by the National Credit Union Administration.

Let me first state that I am fully in support of capital reform, however we need capital reform that recognizes the uniqueness of credit unions and our cooperative structure. This proposed regulation doesn't appear to take that into account. Any discussion or proposal for changing capital requirements has to take into account the need for credit unions to have access to supplemental capital.

Credit Unions have just come through historically, the worst economic times since the Great Depression. The current system held up incredibly well, especially when compared to the for- profit financial institutions. That certainly wasn't by happenstance, so frankly begs the question, why we would need a regulation that appears to punish all credit unions for any risk they take?

The additional capital resources this proposal requires will result in a distinct competitive disadvantage to credit unions when compared with the nations for-profit banking sector. This seems particularly troublesome given the historical conservative operations of credit unions and the vital role that credit unions played during the downturn. As banks pulled back their lending, credit unions continued to lend, and acted as a safe haven for our member deposits. The net effect will be that credit unions will have to curtail some of their services to their members, at a time when our members need us the most.

While my credit union is less than the 50 million asset threshold currently proposed, I am also the beneficiary of capital that comes from many credit unions that will be affected by the proposed rule. I regularly receive monetary assistance from large credit unions to attend training that brings great value to my credit union, and my members. I can envision the switch in focus to gaining more capital being a direct detriment to that assistance. There is also a lot of non-monetary support that is received by small credit unions that will be negatively impacted by this proposal, and the inherent shift to make a profit for the additional capital necessary.

I have great concern about the Agency's proposal to grant examiners the power to impose a higher capital standard on individual credit unions, even if this comes with an appeals process. If examiners are uncomfortable with the risk associated with a specific credit union, there are currently tools in place to address that risk, such as documents of resolution, letters of understanding etc. This portion of the rule shifts examiners to a risk management role, which is clearly not the role of the regulator.

Nothing within the proposed rule addresses Low Income Credit Unions exemption from Member Business Loan requirements or credit unions that have a long term grandfathered exemption for Member Business Loans. Both of these classes of credit unions will be disparately impacted by the new rule. Historically the loss rate experience shows that credit unions with higher concentrations of MBLs have a lower loss than those with lower concentrations.

The risk weight assigned to CUSOs should be reduced. CUSOs are a small percentage of credit union assets. CUSOs are a source for collaboration, innovation and economies of scale, all things which are much needed in our industry for us to succeed in the future. The current risk weight assigned to all CUSOs is excessive and doesn't accurately reflect the true risk of most CUSOs. This one size fits all CUSO risk weighting doesn't take into account the type of activity and true risk of the CUSO to the credit unions balance sheet.

I am enough of a realist to recognize that the NCUA is not going to withdrawal this proposal. I only hope that the NCUA will have listened to the outcry from our industry and recognizes the long term negative impact this proposal could have if implemented as proposed.   And will therefore make drastic changes to the proposed rule. At a minimum:

1. Change the proposed risk weights to reflect marketplace realities. The current weights bear no relationship to actual credit union losses over time. This is true both from the stand point of losses in the banking sector and from comparative losses in the credit union sector.
2. Remove the Interest Rate Risk factors from the calculation.
3. Remove the ability of individual examiners to impose additional capital requirements.
4. Address the LICU, and grandfathered MBL credit union's risk weights.
5. Address the CUSO risk weights to be reflective of true risk.
6. Index the $50 million threshold of complex. Consider additional ways of defining complex beyond just assets.
7. Allow a longer period of time for implementation of the rule.

Thank you for the opportunity to express my concerns.

Debie Keesee, CUDE
President/CEO
NMLS # 809150
Spokane Media FCU NMLS # 401941
901 W Riverside Ave
Spokane WA 99201
509.838.8960
debieb@smfcu.org

FAX 509.456.4697