CHAMPION
CREDIT UNION

May 23, 2014

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

Re: Comments on Proposed Risk-Based Capital Rule

Mr. Poliquin:

Champion Credit Union would like to begin by saying thank you for the opportunity to comment on the proposed Risk-Based Capital regulation.

We, like many other credit unions, support a risk based approach to capital regulation that is similar in structure to that of other financial institutions. It is our belief that credit unions with higher risk tolerances should have to maintain adequate levels of capital to mitigate the overall risk to the National Credit Union Share Insurance Fund (NCUSIF). **However, as the proposed rule reads today, we do not support NCUA's capital regulation modernization efforts.**

Enclosed is the comment letter submitted to NCUA by our state's trade association, the Carolinas Credit Union League (CCUL). We unequivocally support the content of this letter and below have reiterated a few critical areas we feel are pertinent to our organization.

<u>Current and Non-delinquent First Mortgages</u>

The proposed rule assigns three different risk weights for mortgage loans that are dependent on the concentration level of those types of mortgages. What the proposal fails to identify is the efforts made by many credit unions to manage risk by balancing their mortgage loan portfolio with a mix of adjustable and fixed rate products. As of 4/30/2014, Champion Credit Union's loan portfolio contained a total of $67,314,432.75 in first mortgages. Of that total, $45,957,978.27, or 68.27%, was in some form a variable rate product. Efforts such as these to mitigate interest rate risk should be recognized through the risk weightings of this proposal.

As the enclosed letter from the CCUL states, the most perplexing conclusion drawn from this piece of the rule is the suggestion, absent any NCUA rationale, that a mortgage loan at a credit union is riskier than a mortgage loan at a bank.

We believe this proposal, coupled with the recent changes implemented by the CFPB, could have a significant impact on the future availability of mortgage loans for credit union members.

We support the implementation of risk weightings for current and non-delinquent first mortgages as they are constructed within the Basel III requirements (50%) or, at a minimum, further consideration of the makeup of the first mortgage portfolio.

Individual Minimum Capital Requirements

The proposal would provide opportunities to examiners to utilize judgment to apply higher capital requirements to individual credit unions. Currently, there are no provisions for due process or appeal for further review. We feel there is no way to ensure that an individual credit union's capital requirement would not be arbitrarily increased by an examiner. Because of the potential impact that such a requirement could have a on a particular credit union, we are wary of this portion of the proposal.

We recommend that NCUA omit this section from the proposal. At the very least, any required increase in capital requirements should be accompanied with an appeal process to the NCUA Board as well as a due process that allows the credit union's information and views on the decision to be considered and disclosed.

Treatment of Delinquent Loans

While the proposed risk weightings for delinquent loans properly aligns with Basel III, the difference in definition is concerning. Basel III considers a loan delinquent when it is 90 days past due. The proposed NCUA rule considers a loan delinquent when it is 60 days past due. This definition is conflicting with historical analysis as credit unions consistently maintain lower delinquencies and loan loss rates compared to banks.

At Champion Credit Union, 60+ delinquent loans as of 4/30/2014 were $1,852,463.65 while our 90+ delinquent loans were $1,593,200.45. Under the proposed NCUA rule, we would have to hold capital against an additional $259,263.20 in delinquent loans compared to bank requirements.

We support the proposed risk weightings for delinquent loans, but propose that the definition of a delinquent loan be revised to include loans that are delinquent more than 90 days.

Implementation Timeline

The proposed rule is written with an 18 month timeline for credit unions to become compliant. Given the complexity of most credit unions operations and the need to refocus existing strategic planning, 18 months is an unreasonably short time to make the necessary alterations. Banking regulators provided a substantially longer time for their regulated institutions to adapt to new, less stringent capital requirements.

We would propose that the implementation timeline be no less than three (3) years.

In summary, we appreciate the opportunity to comment on the proposed rule and have sincere hopes that NCUA will support regulation that helps sustain a strong, successful credit union industry.

Sincerely,

David M. Clayton

David M. Clayton
President/CEO
Champion Credit Union

Enclosure

cc: Champion Credit Union Board of Directors