

From: [Denise Swan](#)
To: [Regulatory Comments](#)
Subject: Prompt Corrective Action Risk-Based Capital Comment Letter
Date: Wednesday, May 28, 2014 9:51:36 AM

Dear Secretary of the Board Poliquin,

Good Morning,

I reach out to you today with a heightened concern over the Risk Based Capital proposal your agency has put forth. I am the CEO of GEMC FCU. We serve the employees of electric cooperatives in Georgia and their affiliated companies. Our membership is strong with +14,300 members and assets of \$101,000,000.

I do appreciate the opportunity NCUA has given credit unions to comment on your proposal and to help form its future structure and help NCUA understand from my point of view the affects this may have on our industry.

Currently GEMC FCU is a financially strong credit union. Our membership base is stable and hard working individuals who appreciate the cooperative business model and the benefits of membership. Because our membership is supportive, our credit union tries to provide as many 'boutique' services to them as feasible. We do things for members that would not ordinarily work in a community setting. My point is this, RBC does not take into consideration other mitigating circumstances in our individual credit unions. RBC strictly goes by a numbers oriented outcome, no matter what the membership desires or how they are served.

Do I feel like this is the time for a new proposal? No and here's why. it is no secret that the country is still recovering from the severe recession we just all experienced. To bring this on now would be grind the wheels of progress to a halt in the credit union industry. Many credit unions in the lower asset size tier would be paralyzed to offer new products and services in anticipation of the proposal. The proposed RBC confines are predicting the future of how we operate. We will define all strategies and decisions based on how NCUA will perceive those decisions through the lens of RBC.

Through the examination process, NCUA protects the share insurance fund. As said many times, that is their sole purpose. If that is the case, credit unions can be fairly monitored for adverse financial outcomes through the exam process. As much as I hate to say it, more could be done in the examination process on a case-by-case basis for credit unions. The whole industry is not in turmoil. By applying RBC to all credit unions, it may strengthen some but will cause weaknesses in the industry as a whole.

The Risk Based Capital proposal is lengthy and detailed so I would like to touch on a few of its points that I feel are important to address:

I do not agree that the NCUSIF deposit should be excluded from the RBC calculation. Those funds have been deposited into the fund in good faith by the CU industry. It is our fund that supports our industry only. Yes, NCUA is trusted to oversee the fund, but the fund belongs to credit unions and to just delete it from the balance sheet short changes not just credit unions but the faith that our members have in us and the federal government backing of their savings.

I do not agree that there should be a restriction of dividends paid to members. This point oversteps the board of directors, their oversight and the democratic vote members have. I would suspect that if a credit union was in such dire straights that a dividend could not be declared, NCUA would have already used their influence inside the organization.

Next, there are already in place, measurements for key risk ratings that RBC addresses. I absolutely agree with Speaker Gingrich's comments to NCUA earlier this week. The guidelines and thresholds set forth in HR1151 is still timely and enforceable. If nothing else, the way credit unions survived the recession is a nod to our ability to adopt to our environment and proof that the current measurements are sufficient.

If this proposal is implemented, I would appreciate a longer time frame in which to prepare. A five year time frame is not unreasonable. There are too many variables beyond most credit union controls. An extended time frame will give all credit unions ample time to determine how we will conform.

Thank you for the opportunity to provide my comments. I hope this and other letters of recommendation will persuade your thoughts on RBC and come to a realization of the adverse affects this will pose on the credit union industry. We are a strong, focusing on our industry motto of not for profit but for serve. The non-profit nature that upholds our ideals cannot be stifled by for-profit influences. Please keep RBC out of the credit union industry!

Sincerely,

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