From:	Jana Magnuson
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 11:30:09 AM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Mainstreet Credit Union, which serves the Kansas City Metro Area. We have 55,000 Members and $350 million in assets. Mainstreet Credit Union appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed rule, Prompt Corrective Action - Risk-Based Capital.
Even though Mainstreet CU's RBC capital ratio percentage would go up with this proposal, we do have several concerns with it.
We agree that credit unions need adequate capital in order to support their strategy for their specific area and membership. However, this proposal is not only trying to blanket a one system fits all approach; it's also trying to cover interest rate risk, concentration risk, credit risk, operational risk, market risk and liquidity risk all in one model. We do not agree that one system can accurately accommodate all of these risks.
We do not agree NCUA should be able to impose higher capital requirements on credit unions on a case by case basis. If there is a standard, you meet it or you don't. This very subjective decision could put NCUA as well as the credit unions affected into a very unpleasant position.
We have concerns with several of the risk weights:

- Mortgage Loans – statistics prove the more mortgage loans credit unions have, they have more expertise and loss rates decrease. Hence concentration risk is lower at this point and the weights in this category do not make sense. Same logic goes for MBLs.

- MBLs - Even though currently we don't offer MBLs at our size it is something that is part of our short-term strategy. This proposal limits our ability to offer these products to our member at a time when they need them the most.

- Other Real Estate – these weights seem to apply a general rule that all "other" real estate loans pose a higher risk not taking into consideration LTVs, credit scores or repricing.

- Mortgage servicing rights – there is a very active market to price MSRs correctly. With the weight of 250% you may push credit unions to sell their MSRs hence destroying the whole strategy behind servicing your members directly.

- Liabilities – not taking into consideration the liabilities side is a huge mistake. This rewards the CUs that are not being proactive in managing their balance sheet correctly and punishes the ones with actual strategies in place.

- Goodwill – the proposal would discourage mergers especially when NCUA wants bigger CUs to take over a troubled credit union. It's already hard to justify mergers of some troubled credit unions.

- Delinquent Consumer Loans – the fact that there is no distinction between secured and unsecured loans is reason enough not to agree with the weights in this category.

- FHLB loans – please clarify if it was your intention to leave out FHLB portfolios out of the proposal as this would drastically affect decision making process at our credit union.

We also do not agree that the NCSUIF deposit should be excluded from the calculation of RBC ratios. Unless you are telling us this is truly not an asset that we can count on in which case we should expense it immediately. We do not believe that is truly the right action.
We do not agree with NCUA's implementation time line. The proposed time line wouldn't even allow credit unions to respond to some of the weights in order to minimize their impact without selling investments at a loss. At least 5 years should be allowed to implement any such changes to the industry and supplemental capital should be addressed at the same time.

In conclusion, we do not believe that this proposal is achieving its intended purpose and needs to be rewritten. This proposal as written puts credit unions at a competitive disadvantage at a time when the industry is gaining market share. It also limits future business strategies and credit unions' abilities to help their members. We hope you consider a serious revision to this proposal.
Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Jana Magnuson, CPA, CCUE
VP of Finance
Mainstreet Credit Union

Sincerely,

Jana Magnuson
13001 W 95th St
Lenexa, KS 66215