

# FAX COVER SHEET

PLEASE DELIVER THE FOLLOWING PAGES TO:

DATE: 5/27/2014

NAME: Mr. Gerald Poliquin  
Secretary of the Board – NCUA

RE: Comments to Proposed Rule

FAX: 703-518-6319

FROM: TORY ECKSTEIN  
PRESIDENT/CEO   
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NUMBER OF PAGES (INCLUDING THIS PAGE) 3

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*Where Membership Means More*

May 27, 2014

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

Subject: Comments on Proposed Rule: PCA-Risk-Based Capital

Dear Mr. Poliquin:

Members Choice Credit Union appreciates the opportunity to comment on the National Credit Union Administration (NCUA) Board's proposal ("Proposal") to revise Prompt Corrective Action related to Risk-Based Capital. In the past I have always let the larger credit unions take the lead on comment letters addressing proposed regulations. But, this Prompt Corrective Action Risk-Based Capital (RBC) proposed regulation is different.

Members Choice Credit Union serves the employees and family members of OSF St. Francis Medical Center, Ameren Illinois, and certain Federal Employees in Peoria, Illinois. We currently serve nearly 10,000 members and have \$117 million in assets and net worth of 13.04%

Members Choice Credit Union, like most credit unions, agrees with the need to modernize credit union capital standards by the introduction of risk based concepts, and are generally supportive of the federal and state regulatory efforts in this area. However, we believe the current Proposal may have negative effects not only for MCCU and its members, but that it may produce negative unintended consequences that will affect many credit unions and their members.

\*The Proposed rule applies to "complex" credit unions, which NCUA defines as any federally insured credit union with more than \$50 million in assets. I believe it is more than assets that makes a credit union's operation complex. Business decisions, operations, interest rate risk, liquidity activities and portfolios are additional factors that are related to risk and the complexity of a credit union. Currently, under the Federal Credit Union Act, NCUA's risk based capital system must be based on credit unions' "portfolios of assets and liabilities" and should provide additional protection when the credit union's net worth at the adequately capitalized level is not sufficient for the risks presented. As the Act provides, risk based capital is only needed when the complexity of a credit union's operations present

risks that justify more capital over and above the adequately capitalized level. NCUA's definition of complex as indicated by the Proposal should be more complex as well.

\*Furthermore, Risk Based Calculations will be worthless if an NCUA examiner decides that your credit union needs additional capital. NCUA's RBC proposal states that "NCUA may establish increased individual minimum capital requirements (IMCR) upon its determination that the credit union's capital is or may become inadequate in view of the credit union's circumstances." NCUA's proposal states IMCR is required because the "appropriate minimum capital levels for an individual credit union cannot be determined solely through the application of a rigid mathematical formula or objective criteria. Nor can it be based on" asset size". Personally speaking our Credit Union had recently been involved in the "**subjective judgment grounded in agency expertise.**" by an examiner. Credit unions deserve the certainty of knowing that if they meet the requirements set out in the rule NCUA will agree they have enough capital.

\*A number of the risk weightings do not appear to be properly assigned for credit unions. Just using higher risk weights on long-term assets to address interest-rate risk is not proper without considering the full balance sheet. This could have an adverse effect on the credit union and its services offered to members.

\*The Proposal excludes the NCUSIF Deposit from both the numerator (capital) and the denominator (risk weighted assets) of the Risk Based Capital Calculation. The NCUSIF deposit is an asset that can be refunded for various reasons; therefore, we believe it should be included in the Risk Based Capital Calculation.

Thank you for the opportunity to comment on the Proposed Rule.

Sincerely,



Tory J. Eckstein

President/CEO

Members Choice Credit Union