From:	Lana Krieps
To:	_Regulatory Comments
Subject:	Prompt Corrective Action Risk-Based Capital Comment Letter
Date:	Wednesday, May 28, 2014 4:50:53 PM

Dear Secretary of the Board Poliquin,

I am writing on behalf of Community Trust Credit Union, which serves Lake and McHenry Counties, IL and Kenosha County, WI. We have 14,960 Members and $197,601,303 in assets. Community Trust 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.

I would like to specifically address how Community Trust Credit Union, current members, and the community we serve would be affected if the proposed Risk-Based Capital - Prompt Corrective Action rule would be imposed as it is currently written.

1) The proposed rule will limit Community Trust's balance sheet composition and concentrations, making us less competitive in the marketplace and restraining our ability to serve our members, specifically with new product offerings such as member business loans.

2) The imposition of higher risk weights applied to higher mortgage concentrations would require addition capital reserve requirements on top of our current "Well-Capitalized" capital reserves and would therefore hinder Community Trust's ability to operate, grow, and provide additional services required to compete against banks.

3) Community Trust's niche is short-term, low-interest rate real estate loans. The higher capital reserve requirement will negatively affect our competitive edge against local banks and will result in increased reputation risk.

4) Under the proposed rule, all real estate loans are classified as long-term assets carrying higher risk-weights and doesn't take into account our specific portfolio profile and roughly only 23% of our real estate loans are classified as having 15 year or longer terms. This in effect is over-stating our long-term assets and the associated interest rate risk by applying the same weights thereby requiring higher capital reserves than our true risk exposure warrants. And again the ripple effect would be reduced member services and impose higher rates & fees, and stifled growth for the credit union.

5) Community Trust can claim the same justifications on the proposed concentration weights for investments and other longer-term assets in the ripple effect of reduced member services and higher rates/fees.

6) Again, these same justifications can be made for the risk weights assigned to CUSOs with one added negative impact to the overall credit union industry and the repressed collaborative nature which is the very core of the movement.

7) The proposed rule ignores the NCUSIF deposit in the risk-based capital calculation which in essence is would be used dollar for dollar to defray credit union liquidation losses.

I disagree with the new proposal and question its underlying purpose. It appears as if NCUA's claimed purpose is to use this as a way to control risk factors that could lead to another financial crisis, however, the credit union industry as a whole remained well into the "Well-Capitalized" range throughout the greatest economic disaster in 80 years. Many of the failed credit unions would not have fallen if it weren't for the few who engaged in extremely high-risk transactions and if NCUA would have applied stronger regulatory reviews of these institutions, namely the corporate credit unions.

I, furthermore, do not agree with giving individual examiners the ability to impose higher capital requirements on credit unions on a case by case basis without having well-defined and published guidelines. I am all for punishing the select few which engages in high-risk transactions and not imposing punishment on the whole, however, to give examiners the ability to arbitrarily define risk weightings on a case-by-case basis is creating a dangerous environment due to the human component of creating cognitive biases without any mechanism in place for rebuttals or arbitration. Moreover, any disagreements between the credit union and regulator could escalate into mandatory orders enforceable through Prompt Corrective Action mandates. Without checks and balances for the examiners case by case decision, the examiner's judgment becomes law and they can force credit unions to do anything they want them to do without recourse.

Lastly, given the fact that credit unions cannot issue capital stock and must rely on retained earnings to build net worth, a credit union cannot turn on a dime, per se, and improve their capital ratios within the 18 month proposed implementation time frame and thereby will through many credit unions into Prompt Corrective Action immediately. Therefore, I am asking NCUA to consider a longer implementation time frame for credit unions equal to or surpassing the banking industry with its seven year or so time frame during their phase-in of BASEL III.

In summary, on behalf of Community Trust Credit Union, its members, the concerned community, and as part of the Credit Union Movement, I urge NCUA to make the necessary changes to the proposed Risk-Based Capital - Prompt Corrective Action ruling and not impose the above mentioned unintended consequences on the credit union movement while trying to improve the overall safety and soundness of the industry as a whole.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

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