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May 28, 2014

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428
regcomments@ncua.gov

Re: Cooperative Business Opposition to Risk-Based Capital Rule

Dear Mr. Poliquin:

Cooperative Network is an association of more than 600 cooperative businesses that are owned by more than 6.1 million residents of Wisconsin and Minnesota. Our diverse membership includes member-owned farm supply, health care and insurance, mutual insurance, dairy marketing, consumer, financial, livestock marketing, telecommunications and electric utility, housing, school district, and worker-owned cooperatives, among others. I am writing you on their behalf to express our opposition to NCUA's proposed Risk-Based Capital Rule because of the likely chilling effect this rule could have on credit unions and to the economic vibrancy of rural America.

Credit unions have been reliable lenders in urban, suburban, and rural areas of our states for decades. Now, that vitally important source of lending is threatened by the proposal on risk-based capital. In Wisconsin, we could see 60 of 72 credit unions with over \$40 million in assets being downgraded from "well-capitalized" to "adequately capitalized." We reference the \$40 million floor because we anticipate continued and measured credit union growth in Wisconsin will result in approximately this number of Wisconsin credit unions being impacted by the proposed regulation's \$50 million asset trigger.

In analyzing Minnesota's credit unions, many of their capital buffers above the well-capitalized threshold would decrease under the proposed Risk-Based Capital Rule. In fact, estimates show the total buffer for Minnesota's credit unions reduces by over \$200 million, or approximately forty percent (40%).

Unfortunately, we fully expect this regulatory change will have the effect of artificially limiting the ability of credit unions to lend to rural businesses without an offsetting gain in overall credit union financial strength. In this respect, we note the broad Wisconsin and Minnesota credit union community has been repeatedly found by your agency to be in good financial health, and credit unions in both states did not—unlike many large national banks—require TARP support.

Credit unions, along with Farm Credit, are reliable lenders of credit to rural America in good times and bad. I have served as both Deputy Minnesota Agriculture Commissioner and as Wisconsin Trade & Consumer Protection Administrator at the Wisconsin Department of Agriculture, Trade & Consumer Protection, and I have served under governors of both parties. During my state service, I noted on many

occasions that large national banks would rapidly enter and exit agricultural lending based on their sole concern for maximizing profit. By contrast, member-owned credit unions and local Farm Credit associations worked with their member-owners to ensure their farming operations were financially sustainable over the long term. This extended to providing scholarships and other educational support for their borrowers. I did not witness similar behavior by the for-profit banking community.

Finally, we note Congress created an exemption for rural-based credit unions so that they would not be subject to the 12.25% cap on business lending. If the rule before you is finalized as proposed, this exemption would become moot, rendering this law ineffective in violation of the rules of statutory interpretation. Consequently, many credit unions might have to discontinue or decrease agricultural lending. This would harm farmers and other borrowers across our countryside as fewer lenders in that marketplace could result in tougher access to credit.

Due to the points outlined above and in support of our credit union members and the small businesses they serve, the cooperative businesses of Wisconsin and Minnesota respectfully request that you reject the proposed regulation.

Thank you for considering our comments.

Sincerely,



William L. Oemichen
President & CEO

cc: Senator Al Franken
Senator Amy Klobuchar
Representative Michele Bachmann
Representative Keith Ellison
Representative John Kline
Representative Betty McCollum
Representative Richard Nolan
Representative Erik Paulsen
Representative Collin Peterson
Representative Tim Walz

Senator Tammy Baldwin
Senator Ron Johnson
Representative Sean Duffy
Representative Ron Kind
Representative Gwen Moore
Representative Tom Petri
Representative Mark Pocan
Representative Reid Ribble
Representative Paul Ryan
Representative Jim Sensenbrenner