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May 28, 2014

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

Re: Proposed Rule on Risk Based Capital

Dear Mr. Poliquin,

Ent Federal Credit Union is pleased to have the opportunity to comment on the Proposed Rule – Prompt Corrective Action – Risk Based Capital. Ent is a $4 billion community chartered credit union serving over 230,000 members in the state of Colorado.

We do not support the proposed rule on risked based capital. During the recent economic downturn, bank losses as a percent of insured deposits were five times the level of losses in credit unions. If losses due to the corporate credit union implosion were factored out, credit union statistics would have been even better. So is there a problem with the current regulatory capital requirements? We think not.

While we understand one of the agency's objectives is to ensure safety and soundness of credit unions and reduce future losses to the share insurance fund, implementation of new risk based capital rules would not, in our opinion, achieve that end in the most practical way. We have had experience absorbing troubled credit unions in the past. A common characteristic that led to the majority of those mergers was not the inadequate capital they had in the end. In each case, we felt the failures could have been prevented with adequate management and timely regulatory oversight of those credit unions as they delved into nonsensical lines of business. The failure of three of the institutions we merged could have, and should have been prevented long before the capital was depleted. Had the proposed risk based capital rules been in place in the years leading up to the failure of those credit unions, the result would have been the same. Therefore, what benefit would the new regulations bring in similar situations going forward? Excess capital will not compensate if management and oversight are lacking for an extended period of time.

The proposed rule would seemingly do more harm than good, in that it could very well result in unintended negative consequences to credit unions and to the industry. The rule, as written, has clear potential to restrict growth, motivate credit unions to cut back on services, avoid strategies/products that are illogically risk weighted (mortgages, longer-term investments), pursue converting to a bank charter, etc. By attempting to incorporate half of the interest rate risk equation and ignoring the rest of the balance sheet, the rule ignores credit unions who effectively hedge away a material amount of the risk.

It appears that the agency is attempting to establish risk weightings as if the agency must regulate both credit and interest rate risk from a distance, with no onsite assessments of management's ability to effectively manage risk. In order for a revised capital proposal to make sense and be effective in reducing risk while not unreasonably restricting credit unions from making sound business decisions, we recommend starting over. Consideration should be given to addressing credit risk in a more logically assigned regulatory matrix, but assessing interest rate risk through existing guidance letters and onsite examinations. Furthermore, if the agency wishes to be comparable to BASEL III, then be consistent in that effort.

Again, thank you for this opportunity to comment on the proposed regulation.

Sincerely,

MJ Coon

MJ Coon, EVP/CFO
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