



Risk-Based Capital Comment Letter

After reviewing the proposed Risk-Based Capital (RBC) rule there are concerns that IH Mississippi Valley Credit Union has related to this regulation. The first concern is that even though we are currently well capitalized according to the old and new calculation we still have the concern about the individual minimum capital requirements (IMCR). Under this proposal our examiners are allowed to impose extra capital on credit unions whenever they think that extra capital is necessary. We feel this section should be removed from the proposal because if our balance sheet is well capitalized then we feel that our examiners should not be able to require credit unions to have higher minimum risk-based capital ratios.

Our second concern is that we would have to limit our lending in certain risk weight categories. Our main concern would be with our mortgage and business portfolios. We are highly concentrated in both of these portfolios, and with the higher risk-weights to these assets we would have the potential to be required to limit lending in these areas in order to remain well capitalized. With the economy and pricing in the Quad City area we have seen relatively stable growth in both of these areas. With this new rule we would be required to potentially stop lending in these areas and it would limit opportunities for growth for our members related to their business and homes. Both of these asset classes have limits based on our net worth and they are monitored quarterly through our Concentration Risk Assessment. Therefore, since we are required to monitor these portfolios through our Concentration Risk Assessment we do not feel that our capital rating should be risk-weighted based on the performance of these asset classes.

The only exemption to this rule is if credit unions are under \$50 million in assets; however, we feel that Low-Income Designated Credit Unions should also be exempt from this regulation. We have received this designation to be able to better serve our low-income members, and this proposal defeats the purpose of this designation. This rule will affect our future growth and will make it difficult to be competitive in our industry. It will also negatively affect our community and members because they would see an impact with our products, services, and interest rates.

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