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CREDIT UNION

May 28, 2014

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

VIA ELECTRONIC DELIVERY: regcomments@ncua.gov

RE: Prompt Corrective Action – Risk Based Capital; RIN 3133-AD77

Dear Mr. Poliquin:

Thank you for the opportunity to comment on this very important proposed rule. This rule in its current form will have some long term negative effects on credit unions.

The proposed rule is very unfair to credit unions who primarily do business lending. These credit unions have a long history of serving their members with business loans. Credit unions who have been permitted to lend above the MBL cap will be particularly hurt by the proposed rule. These credit unions have a tremendous amount of experience doing this type of lending and have very well managed portfolios. They do not pose the amount of risk expressed in this proposal. Credit unions serving rural areas are a vital source of agricultural lending for farmers and businesses in their communities. Failing to take into consideration the unique characteristics of these types of credit unions will have a big impact on their abilities to serve their members and potentially their future viability. The risk weighting system for loans needs to be re-worked. When I see the risk weightings jumping from 100 to 150 to 200 percent. At 200 %, a credit union would have to maintain 21% capital on these assets to remain well capitalized. This is not realistic.

In general, the risk weightings need to be re-worked. I am seeing some large jumps in risk weightings. They are excessive. Also, it appears risk weights have been set without any underlying analysis. I am seeing weightings that make no sense what so ever. For example, Category 10 assets have a 1250% risk weighting. Absolutely ridiculous. A credit union would have to maintain capital at 131.25% of the principle amount of the investment. Even during the recession, these investments did not devalue to the point where someone had to pay to get rid of them.

In the current proposal, a credit union's NCUSIF deposit is to be subtracted from both sides of the risk based capital formula. This single item has a very negative affect on a credit unions capital rating. In the denominator, the NCUSIF deposit has almost no effect on the formula. However, subtracting it from the numerator has a huge effect. I don't see why it should be subtracted from either side. I cannot think of one good reason why it should be done this way. It should simply be given a Category 1 rating.

The proposed implementation period of eighteen months is insufficient. As you are well aware, credit unions cannot build capital very quickly. For credit unions to maintain their well capitalized status and/or build their desired buffer above the well capitalized limit, will take years to accomplish. It is my understanding banks had nine years to comply with their new rule (banks are currently in year 4 and have 5 years remaining). I would propose NCUA extend the implementation period out to, at a minimum, five years.

I am disappointed in what appears to be NCUA's attempt through this rule to manage credit unions balance sheets. There is no one perfect mix of assets at credit unions. Although many of us are similar, we are all unique with varying needs of our membership. This proposed rule attempts to make us all cookie cutter perfect. It is simply wrong. I understand it is NCUA goal to protect the insurance fund. We all get that. The problem is, it is our money you are protecting. The government has never lost anything. I know you can point to the losses that occurred during the recession (that credit unions are all paying for). But, most of the losses came from corporate credit unions, not natural person credit unions. To overburden natural person credit unions when we came through the recession and are still well capitalized is overkill. It is our job to manage our balance sheets based on our membership's needs and our needs.

Finally, I am opposed to the imposition of additional capital on a case-by-case basis. This provision is too vague and unpredictable. Specifically, if an examiner has an option on a credit union's decision to have certain concentrations of loans or investments. It is the credit union that is in the best position to determine their appropriate asset mix, not someone who is in the credit union for a few days and has some pre-conceived ideas as to what assets are more risky. Managing risk is what we do. Also, if you are already risk-weighting our assets, there is no need for this provision.

If you have any questions, I can be reached at 763-689-1071.

Sincerely,

Steven Oien, President/CEO