

From: [Bill Byerly](#)
To: [Regulatory Comments](#)
Subject: NCUA's Risk Based Capital Proposal Version 2
Date: Monday, April 27, 2015 4:35:24 PM

Attn: Mr. Gerard Poliquin, Secretary, NCUA Board

In the proposed risk-based capital rule, the NCUA has reversed the logical order and purpose of capital utilization in financial institutions. In effect, you are putting the “cart before the horse.” Financial institutions acquire capital from investors (or members) and leverage that capital through various risk-taking activities. While I generally agree with the concept that additional risk-taking by a financial institution should require an additional capital cushion, the inability of credit unions to access alternative forms of capital has put credit unions at a severe competitive disadvantage for too many years as compared to other financial institutions. The financial crisis of 2008 only further highlighted this glaring disadvantage and by prematurely implementing the proposed risk-based capital rule, it will further emphasize the lack of effective capital tools. Implementing this rule before allowing alternative forms of capital limits the future growth of credit union movement and guarantees further problems in the event of another financial crisis similar to what occurred in 2008. The ability for the owners of a financial institution (including credit unions) to re-capitalize their organization during periods of financial weakness or to fund their organization’s growth plans in good economic periods is paramount to their success. For far too long, the NCUA has ignored the immense value of secondary capital to credit unions, particularly during a financial crisis, and instead blames Congressional inaction for the delay. If the vast resources that have been spent trying to implement this rule had instead been focused on the correct and logical order of capital utilization, secondary capital for credit unions might well be a reality today. And, as a consequence there would be very little debate about the proposed risk-based capital rule. I believe that the NCUA should withdrawal the release of the risk-based capital rule until alternative forms of capital are a reality for credit unions.

Bill Byerly

Union Yes FCU