515.221.3000 *telephone*
800.860.6180 *toll-free*
515.221.3010 *facsimile*
1500 NW 118th Street
Des Moines, IA 50325
IowaCreditUnions.com

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

Sent electronically to: regcomments@ncua.gov
Re: RIN 3133-AD77

April 13, 2015

Dear Mr. Poliquin:

On behalf of the credit unions in the State of Iowa, I appreciate the opportunity to comment on the National Credit Union Administration's (NCUA) proposal regarding risk-based capital requirements. The Iowa Credit Union League (ICUL) is the non-profit trade association that represents the interests of Iowa credit unions and their over one million members.

ICUL appreciates NCUA's desire to ensure the safety and soundness of both individual credit unions and the credit union system. ICUL sincerely appreciates NCUA's willingness to listen to credit union and credit union trade association concerns regarding the first risk-based capital proposal and to make significant adjustments. NCUA's efforts to limit the number of credit unions subject to the risk-based capital rule requirements, certain adjustments to the risk-weightings, and extending the implementation deadline will lessen the detrimental impact on Iowa credit unions. However, ICUL still has concerns about several aspects of the risk-based capital proposal, including: the request for comment on further interest rate risk regulation; supplemental capital; the well-capitalized ratio requirements and subjective capital requirements; the definition of a complex credit union; and NCUA's accounting of a credit union's deposit in the share insurance fund..

Interest Rate Risk
ICUL acknowledges and supports NCUA's decision to remove the interest rate risk (IRR) components from the original proposal. However, NCUA has indicated that it may issue a separate IRR rule in the future. ICUL believes that IRR is a supervisory issue and not an issue best-handled by rule-making. The NCUA already has a regulation that requires credit unions to have a board-approved IRR policy, which examiners may review. Credit unions utilize many different strategies to mitigate IRR, and historically have strengthened their credit unions by taking an individual approach commensurate with their situation. Any IRR regulation that sets arbitrary thresholds to deal with the small number of outliers would not be effective for the majority of credit unions. ICUL asks that NCUA not issue a separate IRR regulation, as its current supervisory authority is sufficient.

Supplemental Capital
NCUA has voiced its support of supplemental capital, most recently by the development of its new working group, which is focused primarily on low-income credit unions. While this is a step in the right direction, ICUL suggests that the NCUA incorporate supplemental capital into the risk-based capital structure beyond low-income credit unions. ICUL believes that a separate rule on supplemental capital can be issued and fully implemented into a risk-based capital framework.

Risk-Based Capital Ratio
Under the proposed rule, the risk-based capital ratio for well-capitalized credit unions is ten percent or greater, while the ratio for adequately-capitalized credit unions is eight percent or greater. ICUL requests that NCUA lower the risk-based capital ratio for well-capitalized credit unions to eight percent so that it is no higher than that of adequately-capitalized credit unions. By setting a uniform, lower threshold, NCUA will be able to focus its attention on those institutions with high risk profiles, and could provide regulatory relief to those credit unions that do not pose additional risk to the sustainability of the credit union system.

Subjective Capital Requirements
ICUL appreciates NCUA eliminating its prior provision regarding examiners' ability to impose additional capital requirements on a case-by-case basis. However, ICUL still has concerns about similar provisions under the revised proposal. The new proposal would add a requirement that a covered credit union must maintain capital relative to the level and nature of all its risks and a comprehensive written strategy to maintain "appropriate levels of capital." ICUL is concerned about this proposed provision because it has the potential to subject credit unions to higher capital requirements than what a final risk-based capital rule would provide. This provision could allow examiners to unexpectedly demand additional capital from credit unions, and potentially subject credit unions to additional scrutiny regarding not only their levels of capital, but also how they plan their capital strategies to balance their risks. Due to the potential for inconsistent application amongst varying examiners and the potential harmful impact to credit unions and their members, ICUL asks NCUA to remove this provision from any final regulation.

Definition of "Complex" Credit Unions
ICUL strongly supports the NCUA raising the asset threshold for credit unions that must comply with the proposed rule from $50 million in assets to $100 million in assets or greater. However, ICUL requests that the NCUA review and clarify more completely the definition of a "complex" credit union under the proposed rule. Defining "complex" using only an asset size threshold fails to account for the portfolios of assets and liabilities of credit unions, as well as operational complexity. Many larger credit unions have limited service offerings or narrow portfolio composition and should also be exempt from this new regulation.

NCUSIF Deposit
ICUL encourages NCUA to reconsider the exclusion of the one percent deposit each credit union makes to the National Credit Union Share Insurance Fund (NCUSIF) in the

risk-based capital calculation. By excluding this deposit, a credit union's risk-based capital position is inappropriately lowered. A credit union's deposit in the NCUSIF is not only an asset under GAAP, it is an asset of significant value as it represents the presence of federal deposit insurance and should be included in a risk-based capital ratio calculation.

Conclusion

ICUL greatly appreciates NCUA's recognition of the impact the increased regulatory burden can have on credit union members and is encouraged by NCUA's willingness to re-issue a new proposal. Iowa credit unions are generally well-capitalized, operating safely and soundly, and their members would not benefit from many of the provisions contained in this proposal. ICUL asks NCUA to reconsider the proposed rule to account for the responsible management of Iowa credit unions and their ability to assess risks based on their individual situation. Iowa credit unions are facing unprecedented levels of regulations while continuing to serve their members through this increased burden. ICUL asks that NCUA consider the needs of Iowa communities and the important role the credit union system plays in our state when evaluating risk-based capital requirements and making adjustments to a final rule.

Sincerely,

Patrick S. Jury

Patrick S. Jury
CEO/President
Iowa Credit Union League