Niagara's Choice CREDIT UNION

Choose to bank where you belong.

April 13, 2015

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

RE: Risk-Based Capital, 80 FR 4340-01

Dear Mr. Poliquin:

I am writing this letter to comment on NCUA's Risk Based Capital proposal. While NCUA has made important improvements in its most recent proposal, I remain concerned that an enhanced RBC framework will diminish the flexibility of credit unions and do little to strengthen the safety and soundness of the industry as a whole. Niagara's Choice has a proven track record of solid management and solid growth but there are many aspects of this proposed regulation that will limit our management's flexibility.

One of the most important steps NCUA should take is to limit the application of an RBC framework to credit unions that truly represent a risk to the Share Insurance Fund. Consequently, NCUA should raise the compliance threshold to $500 million. This is the threshold at which community banks must comply with BASEL III. What's more, there is a clear demarcation between the aggregate growth of credit unions above and below the $500 million threshold in areas such as membership and loan growth. In addition, a credit union should not be considered "complex" based entirely on its asset size. In this proposal, NCUA asks credit unions to list those activities that would make a credit union complex. I would suggest requiring a credit union to be subject to enhanced RBC requirements only if it exceeds an asset threshold (e.g., $500 million) and engages in a combination of these loans and investments: participation loans, non-agency mortgage-backed securities, commercial mortgage-related securities, and derivatives.

NCUA should also limit its ability to mandate that individual credit unions maintain buffers in excess of minimum capital requirements. NCUA claims that it needs "broader provisions" to mandate that individual credit unions "maintain capital commencement, with the level in nature of the risk to which a credit union is exposed." This language is entirely too broad, since it implies that individual examiners could impose individualized capital requirements for even well-capitalized credit unions. So long as Niagara's Choice and similarly situated credit unions comply with codified regulatory requirements and continue to demonstrate that they appropriately manage their institutions, a regulator should not be able to substitute their judgment for that of the credit union's management. This is particularly true when the issues are as important as how best to allocate credit union assets.

I have been fortunate enough to be involved with the credit union industry not only as a CEO but as a board member and past Chairman of the New York Credit Union Association. An enhanced RBC framework must be designed and implemented with the utmost care if it is to help and not hurt the industry as a whole and retard the growth of individual credit unions.

Sincerely,

Alfred Frosolone

Alfred Frosolone
CEO/Manager

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