From: Sohlberg, Charles
To: _Regulatory Comments
Subject: Chuck Sohlberg - Comments on Proposed Rule: PCA - Risk-Based Capital
Date: Thursday, April 16, 2015 5:09:00 PM

April 16, 2015

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

RE: Proposed Rule: Risk-Based Capital

Dear Mr. Poliquin:

I am writing on behalf of RIA Federal Credit Union which serves over 39,000 members. Our mission for eighty years has been to provide the best services, rates and value that we possibly can. RIA Federal Credit Union recognizes that to properly serve our membership, and ensure we can safely and securely serve them for many years to come, capital must be maintained and protected. However several areas of the proposed Risk-Based Capital regulation have raised concerns that we believe need to be addressed.

The proposed risk rates will have the unintended consequences of reducing services to members. Fewer loans will be made, expenses will be higher, earnings will be lower and the question of what's best for the member is not addressed. What's best for the member is a wide variety of services available to them from strong credit unions that will endure for a long time.

Several concerns have been raised, including:

- The National Credit Union Share Insurance Fund deposit has been excluded from the calculation. We feel since these are funds held against losses, by definition they should be included in our Risk Based Capital calculation.
- NCUA's existing supervisory and examination process for Interest Rate Risk is sufficient to insure safety. Adding a more restrictive standard than used by banks will hurt credit union's ability to grow or even survive long-term. Credit unions as a whole survived the latest financial crisis by never having been in the riskiest areas of lending and investment. This shows the current methods work and the proposed rule would just be an expensive and unduly burdensome addition.
- Weighing corporate credit union capital at 100% or 150% pushes credit unions away from corporates. The risk of corporates would be better controlled by the examiners at the corporates. If the corporate is required by NCUA to hold capital balanced to it's risk then the natural person credit union shouldn't need elevated capital levels for that same investment. A healthy and properly examined corporate credit union would provide options for natural person credit unions.
- The risk-rating of 100% on loans in CUSOs and 150% on investments in CUSOs will diminish

the cooperative nature of credit unions. We have supported CUSOs for many years with loans to advance the credit union cause by making services available to smaller credit unions. If our capital requirement is increased we will have to reduce our support because of the increased expense and that will hurt the credit union movement as a whole if everyone is forced to follow. It doesn't make a cooperative movement safer as a whole to but up barriers to working together.

- Requiring a 250% risk-rating on mortgage servicing assets is excessive. Logic would also dictate that loans sold without recourse with retained servicing would not be as risky. The proposed rates are too high and should be graduated downward for servicing arrangements that are less risky for the credit union. Trying to push credit unions out of the mortgage market doesn't help the economy as a whole or the credit union movement. Good mortgage loans to your members should always have a place in our service to members.

While RIA Federal Credit Union exceeds the current well-capitalized requirements, as well as the proposed Risk Based Capital Ratio as determined by the NCUA calculator, we still feel the proposed rule needs to be adjusted before implementation.

With loan and investment returns having already been so low for so long, any additional requirements for capital will have the unintended consequence of slowly killing off credit unions. If we are unable to compete and grow we will slowly die on the vine due to maintaining excellent capitalization but zero growth. Curing the sickness by killing the patient isn't considered a win. The ability of small and mid-sized credit unions to serve a diverse array of members should be a strength that is cultivated, instead of trying to hammer every peg into a one-size-fits-all approach.

Thank you for considering our comments.

Sincerely,

Chuck Sohlberg
VP Accounting, CFO
RIA Federal Credit Union