April 16, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Gerald Poliquin,

I am writing on behalf of Capital Educators FCU, which serves those who work or volunteer in the Educational Industry or for an authorized Educational Foundation in the State of Idaho. We have 55,000 Members and $450 million in assets. Capital Educators FCU appreciates the opportunity to provide comments to the National Credit Union Administration (NCUA) on its proposed amendements to the Risk Based Capital Rule.

First of all, we at Capital Educators,after viewing RBC2 still believe that Risk Based Capital is a unnecessary regulation. The fact that there were so many changes from RBC 1 to RBC 2 really shows that NCUA is trying to fullfill a mandate of some kind. We believe that PCA is adequate for the industry, as was evident by how credit unions faired during the last economic crisis. NCUA can't expect to regulate risk out of the industry like it is trying to do. We are in a business of risk, controlled risk, but non-the-less risk. So, we would hope NCUA would not implement RBC2 and take it off the table and keep the current PCA that has served the industry so well. We believe that RBC will not protect the NCUSIF better than the current PCA has done. RBC is complicated and a new measurement of capital that Board of Directors will have a hard time understanding. Board of Directors understand the PCA measurement, as it is simple, easy to understand and effective, and tried and true to protect the NCUSIF.

We believe NCUA has gone too far in developing a RBC system similar to the Banks, and has not considered the unique operations of credit unions. If NCUA is still going to issue a RBC requirement here are our thoughts on the current proposal:

Complex Credit Union Definition:

Capital Educators FCU would be considered a complex credit union under RBC 1 or RBC 2, because we are above $100 million in Assets. Determining a credit union as complex should not be determined by Asset size, but more by products and services or management style, or Board tolerance. We would say that NCUA, should look back at history of credit union failures and make a list of characteristics of what caused a credit union to fail and use that list as its criteria. It appears that NCUA has not done its due diligence in determining what a complex credit union really is. Raising the level from $50 to $100 million appears to have been done to appease the industry, rather than being based on research and facts. We would suspect that Capital Educators would be considered complex under either senario, but we would venture to guess that several credit unions, hundreds if not thousands, are over $100 million in assets but should not be considered complex.

Capital Adequacy

We believe that credit unions should be able to determine their own capital adequacy requirements based on the unique structure of their credit union. During an examination, NCUA should look at the credit unions risk assessments and capital adequacy assessments that the credit union has imposed upon itself and determine if the credit union has sufficient capital for the risk of that particular credit union. If NCUA does not trust its field examiners to make sure a determination, then it should look at additional training for field and supervisory examiners on capital adequacy assumptions and technics. This would be a much better process for the good of the industry, then imposing a one size fits all approach such as RBC.

Interest Rate Risk

NCUA took interest rate risk out of RBC2, and from what we understand, plans to revise the current IRR regulation. We believe, under this senario the new IRR regulatoin, when coupled with RBC2 will have the possiblility of being more restrictive and in the end emulates RBC1. I hope that is not the case. How many credit union failures can be traced directly to interest rate risk. Yet NCUA has a separate regulation dealing specifically with interest rate risk, and now wants to make the current regulation more restrictive for credit unions to do business. We remember that the industry has had PCA for over 20 years and how many credit union failures have come as a direct result of IRR. Any IRR regulation should not mandate specific requirements, but should be general in nature, that the credit union should have a policy and plan to control net interest margin in rising or falling interest rate environments. Field examiners and credit union staff should be having discussions about interest rate risk and how its being measured and controlled at the credit union. NCUA's recent obsession with interest rate risk, has filtered down to supervisory and field examiners to where, examiners are coming into credit unions with predetermined agendas and predetermined DOR's with out a knowledge of the credit unions risk assessments and ALM committee discussions. This is creating a difficult business environment for CEO's to work in.

Supplemental Capital

I have always been against additional supplemental forms of capital availabale to credit unions. My thoughts have changed in the past two years, and now I support supplemental forms of capital to be included in the risk-based capital ratio numerator. The reason is that RBC1 showed NCUA's true colors on what it intends for the industry and with the current RBC2 proposal and the pending IRR regulation, credit unions will need supplemental capital to grow their credit unions. So I support supplemental capital in the current regulatory environment. The capital should be structured consistent with GAAP and SEC requirements, and such that it is an investment in the LT growth and sustainability of the credit union.

NCUA should remove the RBC regulation proposal from consideration. The current PCA works fine and is a measurement credit unions are use to and understand, and is easy for Boards and management to measure. NCUA has gone too far with RBC and in our opinion is trying to take away the management of credit unions from CEO's and boards. NCUA has been talking about IRR for years and has been offering guidance on investments, liquidity, and loan terms. If our credit union had followed NCUA's guidance 6 or 7 years ago, we would have lost millions of dollars in revenue over that time period. We respectively ask NCUA to regulate credit unions and not try to manage them. I've noticed NCUA putting information out to credit unions on how to serve their members, and new products and services suggestions. It seems NCUA feels the need to post these management advisory's because credit union CEO's and Boards don't know how to best serve their members. For the good of the industry, we would ask NCUA to allow credit union management to manage their credit unions, and NCUA to stick to regulating.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital.

Sincerely,

Todd Erickson
President/CEO
Capital Educators FCU

cc: CUNA, CCUL