April 17, 2015

Gerard Poliquin
Secretary of the Board
NATIONAL CREDIT UNION ADMINISTRATION
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Sent electronically to: regcomments@ncua.gov
REFERENCE: RIN 3133-AD77

Mr. Poliquin:

On behalf of the over 120,000 members of the University of Iowa Community Credit Union, headquartered in North Liberty, Iowa, we greatly appreciate the opportunity to again provide comments to the National Credit Union Administration ("NCUA") regarding the revised proposed rule, Prompt Corrective Action – Risk-Based Capital.

We acknowledge and appreciate the flexibility and willingness the NCUA has demonstrated, in both the changes made from the original proposal and the additional comment period extended with the revised proposal, to hear the concerns from the industry and make meaningful changes to provide a more adequate risk-based capital framework. Specifically, lowering risk-weightings, eliminating some of the tier structures for concentrations, lowering the well-capitalized threshold, eliminating the allowance for loan loss cap and the extension of implementation are all positive steps. However, we feel there are still shortcomings we have previously mentioned that still need to be addressed:

- There is still no credit given for institutions that have been historically profitable and successful and/or had low delinquency and net charge-offs. Fitting all institutions into one model based on the complexity (or lack thereof) of their balance sheet does not give benefit to those who have successfully managed their institution or penalize those who have not. We strongly urge the NCUA to consider an additional component that would take this into consideration.
- The risk-weighting for mortgage servicing rights ("MSR") remains at 250% and should be lowered to 100% or lower. I fail to understand where servicing a sold loan incorporates more risk to the member than servicing an "in-house" originated loan. In our example, we have approximately $1 million in servicing assets which adds a requirement of $250,000 additional capital.
- The NCUSIF amount is still being subtracted from capital and correspondingly subtracted from assets as was the case in the original proposal. This actually serves to decrease an institution's capital ratio. While I understand the NCUA's position to exclude the asset because it is not used to absorb losses, the treatment in the proposal is actually punitive to credit unions.

Among other concerns we have regarding the proposal is there is still a degree of uncertainty as to what role examiners can have in determining "appropriate" capital levels. By allowing an element of subjectivity, the NCUA is opening itself to an inconsistent application across the industry. In turn, we believe this should be more factual based, for example on historical profitability and low delinquency, rather than on subjective assessment of risk.

Additionally, we believe the NCUA should move quickly to allow low-income designated credit unions access to secondary capital and improve the approval process. We appreciate the NCUA developing a working group to explore this matter further and hope for a quick resolution.

Thank you for the opportunity to present our concerns and comments on the proposed rule and for considering our viewpoint.

Respectfully submitted,

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