April 17, 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,

April 17, 2015

RE: Comments on Proposed Risk Based Capital Proposal – RIN 3133-AD77

Dear Mr. Poliquin,

I am writing on behalf of UMe Federal Credit Union in Burbank, California. We have over 13,000 members and approximately $170 million in assets. I appreciate the changes that were made in the second version of the Proposed Risk Based Capital Proposal – but, my Credit Union believes that more work is needed to improve the rule, or it needs to be eliminated, completely.

All Credit Unions are different, with different balance sheet structures – some complex, and some very simple. I believe that all Credit Unions should not be treated the same and that risk should not be determined by standardized balance sheet data to identify an appropriate capital ratio. CUNA estimates that only 1 of 189 Credit Unions that failed during the economic crisis would have been covered by this rule. Your agency estimates that $3.7 million is needed to implement the rule, of which the 1,455 Credit Unions currently covered by this rule, only 19 would be required to raise additional capital. I believe the implementation costs will increase, as the training of each and every one of your examiners could push these numbers much higher.

Some of the components of the rule directly affect my Credit Union, and some do not. My main concern is the direction of the Credit Union industry, which has weathered the economic crisis well, as we replenished our insurance fund without any Risk Based Capital Rule in place. We are a strong industry financially, and the lasting effects of a Risk Based Capital Rule could ultimately lead to hurting the consumer with higher loan rates and lower deposit rates.

I agree with the positions of CUNA and the California Credit Union League, as they have raised some excellent points that the rule is not needed, questioning the NCUA's authority to impose a two-tier capital system, questioning the risk weights imposed (including the weight assigned to CUSO investments and Mortgage servicing assets), the definition of "complex" Credit Unions, which seems arbitrary at $100 million in assets and not based on actual complexity, the unfavorable treatment of goodwill, exclusion of our NCUSIF deposit, which is an asset to the Credit Union and is listed as an asset in the NCUA Accounting Manual. Also, the new requirement for a capital adequacy plan could enable an examiner to impose additional capital requirements over and above the two-tier capital requirements that you are currently proposing, due to the examiners opinion that the Credit Union's internal capital assessment is not adequate.

Because of the costs to implement, legality, and provisions needing improvement, along with the effects on our entire industry and consumers, changes to the proposal are needed. Thank you for allowing us a forum to express our opinion and for reading our comments. As an industry, we appreciate that our voices are heard and look forward to a more collaborative relationship with our regulator. Please reconsider the proposal in full – or at a very minimum, consider changing of some of the provisions I mentioned in my letter. Thank you for your consideration.

Sincerely,

Robert Einstein

President/CEO

UMe Federal Credit Union

Sincerely,

Robert Einstein
President/CEO
UMe FCU

cc: CUNA, CCUL