TOWN & COUNTRY
CREDIT UNION

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April 20, 2015

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

RE: RIN 3133–AD77; Risk-Based Capital

Dear Mr. Poliquin,

Town and Country Credit Union is very appreciative of the opportunity to provide comment to the National Credit Union Administration (NCUA) with regard to the proposed amendments to the proposed RBC rule. Town and Country Credit Union Credit Union is a $390 million community chartered credit union with ten branch offices located in six communities, in North Dakota. Town and Country Credit Union does a significant amount of MBL lending, whether it be agricultural or commercial type lending, in the communities we serve.

We appreciate the NCUA's review of the comment letters submitted in response to the first proposed rule regarding risk-based capital. We also thank the NCUA for listening to these comments and making significant changes to the proposed rule and issuing it for a second round of comments. However, there are still concerns we have with this second proposed rule regarding risk-based capital. We remain opposed to this proposed rule for one primary reason. It is not necessary. NCUA continues to try and develop a one-size-fits-all regulation for the credit union industry. Town and Country Credit Union is in favor of NCUA dealing with individual credit unions through the exam process who are considered to not have enough capital for the risk taken on their individual balance sheets. As stated above, we are not in favor of developing a one-size-fits-all risk based capital rule for the entire industry.

Town and Country Credit Union's understanding is the present proposed Risk-Based Capital rule drops approximately twenty credit unions from adequately capitalized to under capitalized. We question why this proposed rule is necessary given this data. It would seem appropriate for NCUA to deal with those credit unions individually rather than develop a whole new regulation for the entire industry.

Also, we believe NCUA has significantly understated the individual cost to credit unions if this proposed regulation were implemented. Significant time will have to be spent identifying existing data (primarily loan data) and recoding to meet the requirements asked on the new revised NCUA 5300 report. Data processing systems are not prepared for the data that is being requested under the proposed risk based capital rule. Data mining the current NCUA 5300 report is difficult enough.

That being said, if NCUA is still of the mindset that risk based capital rule is necessary, we have the following comments:

Our understanding from reading the proposed risk-based capital rule is the NCUA is excluding consideration of IRR from the risk-based capital ratio measurement, but in the future intends to consider alternative approaches for taking into account interest rate risk at credit unions. Did not the NCUA, in 2012, develop rules that require federally insured credit unions to develop and adopt written policies on interest rate risk management and implement that policy into the overall asset liability management of the credit union? If this is the case, why would another rule regarding IRR be necessary?

In addition, we do not agree with many of the risk ratings especially regarding concentration risk in MBLS. We do not believe that just because a credit union has over a certain percentage of their total loans in MBLS it necessarily indicates the credit union has more risk on their balance sheet. An example of this may be: what if all of those MBLS were adjustable rate loans made to A+ borrowers with LTV less than 50% compared to a consumer loan portfolio made to D borrowers at 120% LTV? Why would NCUA require more capital on an MBL over a certain percentage of total loans if this were the case? More than just concentration risk needs to be evaluated when determining capital requirements for a safe and sound credit union.

We at Town and Country Credit Union thank you for giving us this opportunity to share our thoughts and concerns. We truly hope in the end NCUA will rethink this entire proposed rule and decide it is not necessary.

Sincerely;

John H. Landsiedel
Chief Financial Officer
Town and Country Credit Union