From:	Michael Zehr
To:	_Regulatory Comments
Subject:	Comments on Proposed Rule: Risk Based Capital, 12 CFR
Date:	Monday, April 20, 2015 3:51:43 PM

April 10, 2015

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

Re: Comments on Proposed Rule: Risk Based Capital

Dear Mr. Poliquin:

Thank for your consideration regarding our formal comments from Everence Federal Credit Union on the National Credit Union Administration's ("NCUA") recent proposed rule, Risk-Based Capital ("Proposed Rule") issued on January 15, 2015.

Everence Federal Credit Union has approximately 17,400 members, and $160 million in assets. We commend the NCUA for reviewing its initial proposal and substantially improving it. However, we still believe the Proposed Rule as it is now drafted is still unneeded given the regulatory rules currently in place, which safeguards both our members and industry. That said, we would like to cover the major areas of concern in the Proposed Rule and provide our recommendations for improvement.

Positive Points of the Proposed Rule
We would like to highlight the following positive aspects of the Proposed Rule which were changed from 2014:

a. Removing interest rate risk from the proposal;
b. Extended implementation period; and
c. Lowers well-capitalized threshold from 10.5% to 10%.

Opportunities for Continued Improvement of the Proposed Rule
The following areas are concerning and we would like to see removed or modified:

1. The NCUSIF deposit should not be deducted from the RBC numerator.
2. The concentration risk penalty for first mortgage loans and junior liens should be eliminated. All RE loans should be risk weighted with consideration for lien position, LTV, re-pricing exposure and maturity.
3. Investments in Credit Union Service Organizations ("CUSOs"), and FHLB should have a risk weights of 100% or less as both are federally regulated entities. Unless there is a capital call requirement in the investment ownership, the maximum loss exposure is 100%.
4. The MBL tiers are set without regard to distinction of collateral type or asset quality. Recommend that MBLs secured by Real Estate be risk weighted at no more than 50% for up to 35% of assets, and 100% in excess of 35% of assets. Other non-real estate MBLs should be weighted at no more than 100% for up to 20% of assets, and 150% in excess of 20% of assets.
5. Eliminate the cap on the ALLL, in consideration of the expected allowance requirements that will be imposed under the new Current Expected Credit Loss model.
6. The proposed implementation time frame is unrealistic, is entirely out of sync with

the five year Basel III implementation time period given to banks.
7. Without an improvement in the appeal process (i.e. an independent entity), the proposed provision gives examination teams the ability to arbitrarily mandate a credit union increase its risk based capital requirement.
8. The costs associated with the proposal out-way the benefits.

***Supplemental Capital*:**
The Proposed Rule is a complete overhaul of current credit union capital standards, thus it would be appropriate to incorporate a supplemental capital provision into the regulation and put it out again for further public comment.

A credit union's net worth ratio is currently determined solely on the basis of retained earnings as a percentage of total assets. The increased capital burden under this proposal heightens the need for supplementary capital.

Recommendation
We respectively request that NCUA actively support legislation to allow federal credit unions to receive payments on uninsured, non-share capital accounts provided the accounts:

- Do not alter the cooperative nature of the credit union;
- Are uninsured;
- Are subordinate to all other claims against the credit union;
- Are available to be applied to cover operating losses of the credit union in excess of its retained earnings and, to the extent supplied, will not be replenished; and
- Are subject to maturity limits as determined by the NCUA

As previously stated, the NCUA's revised proposal to create a risk-based capital standard is a step in the right direction. However, the Proposed Rule as written would still have significant negative capital consequences to credit unions and could place them at a competitive disadvantage relative to banks. Our recommendations would respectively improve the Proposed Rule and allow credit unions to confidently operate under this new standard.

Sincerely,

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we can take steps to avoid such transmission errors in the future. Thank you.