From:	Rick Mantey
To:	_Regulatory Comments
Cc:	Michelle Haag (Michelle.Haag@nycua.org)
Subject:	Richard A. Mantey - Comments on Proposed Rule: Risk-Based Capital
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Ulster Federal
CREDIT UNION

April 20, 2015

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

Risk-Based Capital, 80 FR 4340-01

Dear Mr. Poliquin:

I am writing on behalf of Ulster Federal Credit Union, a $109 million asset credit union serving approximately 9,000 members in the foothills of New York's Catskill Mountains located in Kingston, New York.

Having previously written to express my concerns with NCUA's initial Risk-Based Capital Proposal, I am pleased that NCUA has been so responsive to the issues raised by industry stakeholders that it is now presenting for public review a substantially revised RBC regulation. As it considers further amendments, I remain concerned that the agency has not adequately justified the need for an enhanced Risk-Based Capital framework. In addition, I would like to see the agency give credit unions in compliance with Risk-Based Capital requirements greater flexibility to manage their resources without interference from examiners.

I suggest NCUA consider raising the proposed threshold of $100 million for RBC compliance to at least $500 million. I strongly believe that a credit union's asset size should not be the sole criterion used to classify a credit union as complex. There are many credit unions with $100 million or more in assets that don't engage in the type of risky activity that an RBC framework should be designed to capture. NCUA indicates in the preamble to this proposal that it is willing to consider not only raising the RBC threshold but to defining a credit union as complex based in part on the activities in which it engages. That being said, I believe the following activities for larger asset credit unions should result in a credit union being considered complex: member business loans, participation loans, investments with maturities greater than five years (where the investments are greater than one percent of total assets), non-agency mortgage-backed securities, collateralized mortgage obligations/real estate mortgage investment conduits, commercial mortgage-related securities, and derivatives.

With regard to maximizing the flexibility of credit unions, I remain concerned that NCUA is seeking for itself the power to establish buffer requirements for individual credit unions. I believe the power to mandate minimum buffers gives regulators the authority to effectively establish individual capital requirements. In addition, NCUA will be making it more difficult for credit unions to know when they are in compliance with RBC requirements. However, if NCUA ultimately reserves for itself the right to set enhanced buffer requirements, it should also consider empowering itself to exempt complex credit unions from minimum capital requirements on a case-by-case basis. There are fact specific situations which cannot be anticipated in regulation. Without giving regulators the authority to exempt credit unions from RBC requirements, NCUA runs the risk of imposing compliance burdens on individual credit unions that are unnecessary and harmful.

Even as NCUA considers changes to its RBC regulations, it should also reconsider the more basic question of why it feels the need to go forward with major RBC reforms at this time. As someone who formerly worked in the banking sector, I know firsthand that the capital requirements imposed on credit unions have always been substantially different then the RBC requirements imposed on banks. Regulations don't compel NCUA to replicate BASEL requirements. The ultimate reason for classifying certain credit unions as complex is to ensure that NCUA adequately regulates activities that can't be properly regulated using its traditional PCA system. Given the fact that credit unions performed relatively well over the last 8 years notwithstanding the Great Recession, there is little evidence to suggest that so many major changes need to be imposed at this time.

As NCUA continues to evaluate the concerns and suggestions of industry stakeholders such as myself, I only ask that it proceeds in a logical and systematical matter. Whatever plan it creates should have broad support among not only regulators but the entire industry. NCUA's initial changes were an important step in this direction but I urge it to make additional improvements before finalizing enhanced requirements.

Sincerely,

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