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:

As the CEO of Great Erie Federal Credit Union and a member of the Board of Directors of the New York Credit Union Association, I am once again writing to comment on NCUA's Risk-Based Capital proposal. I am a long-time advocate for the industry, I can tell you first hand that few issues have concerned credit unions as much as the imposition of a more intricate RBC framework has. I appreciate the care with which NCUA considered industry comments to its initial draft. In reviewing the latest proposal, I remain concerned that NCUA does not give well-managed credit unions the flexibility they should have.

As a $73 million credit union, I am pleased that NCUA raised the compliance threshold from $50 to $100 million but even this level is still far below the point at which credit unions should be considered complex. Even though almost all credit unions would be classified as "well capitalized" under the revised draft, the compliance burden imposed on impacted credit unions should not be underestimated by the NCUA. A new RBC system means new software, additional staff and board training, and reassessments of both investment policies and product offerings. All of these tasks would be particularly burdensome for mid-sized credit unions such as my own already struggling to comply with an unprecedented volume of mandates. In addition, credit unions will have to prepare for complying with the eventual RBC framework long before they are officially subject to its requirements. To ensure that NCUA only imposes RBC requirements on truly sophisticated credit unions, the compliance threshold should be raised to at least $500 million. Furthermore, credit unions should be considered complex only if they invest in non-agency mortgage-backed securities, and non-mortgage related securities with embedded options.

There are two ways in which I feel that this proposal restricts the authority of credit unions; first any RBC framework, by definition, imposes capital set aside requirements that limit the ability of individual credit unions to invest assets in the way that they feel is most beneficial. Secondly, NCUA is seeking to reserve for itself the right to mandate buffer requirements in excess of regulatory capital requirements. Giving examiners this authority essentially amounts to giving regulators the right to penalize credit unions even though they have complied with all of NCUA's stated regulations.

Even as NCUA concentrates on risk-based capital concerns, it should not lose sight of other issues that have a more meaningful direct impact on credit union operations. For example, credit unions face larger threats in the areas of fraud and cyber security than they do as a result of their existing regulatory capital requirements. It is critical that NCUA not lose sight of these more pressing areas of need so that credit unions can get the guidance and support from the agency that they need as NCUA continues to refine its RBC proposal.

Sincerely,

Robyn Young, President
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