April 15, 2015

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

RE: Comments on the proposed Risk Based Capital Rule (RBC2)

Dear Mr. Poliquin:

On behalf of Genisys Credit Union I would like to thank the NCUA for the opportunity to comment on RBC2 and commend the agency for the positive changes that have been made to RBC1. However, we feel additional changes are needed to the current proposal to assure the final regulation does not put credit unions at a competitive disadvantage to other banking agencies. As such we have the following comments and recommendations on RBC #2.

- Risk Weights – Even though there were improvements made to the RBC1 risk weightings the proposed weightings based on concentration levels remain higher compared to the banking industry. We would recommend a flat risk weight for mortgages, equity loans, and commercial loans similar to bank regulations.

  We also recommend lowering the risk weights assigned to CUSO investments (150%) and mortgage servicing rights (250%). Not sure of the agencies logic on the higher assignments that will deter credit unions from engaging in these beneficial operational relationships. CUSO collaboration has benefited the industry tremendously and in many areas helps to diversify risk. Retaining mortgage servicing rights has been a strategy for credit unions to keep the member relationship and make some income, while decreasing IRR exposure by selling the long-term asset. There is no significant risk in these relationships and we recommend that the agency lower the risk weightings.

- Capital Adequacy Plan – RBC2 would require credit unions to maintain a capital adequacy plan and could require a higher level of capital if the agency determined that the risk profile and capital plan was inadequate. We don't believe credit unions should be required to hold additional capital in excess to what the RBC2 and PCA formulas call for. We question the agency's legal right to subjectively require a higher level. As such, we recommend the agency remove that requirement from the proposal.

- Supplemental Capital – We are currently at a competitive disadvantage to banks with the absence of an alternative source of capital. Credit Union asset growth can easily outpace earnings growth in this extremely competitive environment where margins are thin. The NCUA has publicly voiced their support for alternative secondary capital and we recommend that the agency authorize supplemental capital in conjunction with RCB2.

In addition to the above recommendations we would like to comment on the increased regulatory burden and cost associated with the RBC proposals. Estimates have placed the one-time cost to the industry at over $5 million for credit union policy changes, 5300 reporting changes, updates to examination systems and staff training to implement the proposed requirements. On-going annual costs to the industry are estimated at over $1 million. Based on these numbers we question the cost/benefit of implementing this rule and feel it is an inappropriate use of credit union resources.

It is our hope that the NCUA takes these recommendations into consideration.

Respectfully Submitted,

Genisys Credit Union

Gerald Strausbaugh

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