KECU

April 17, 2015

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

RE: 12 CFR Parts 700, 701, 702, 703, 713, 723 and 747, Risk-Based Capital

Dear Mr. Poliquin:

Kentucky Employees Credit Union (KECU) appreciates the opportunity to submit comments on the National Credit Union Administration's notice of proposed rulemaking for the above-referenced parts of NCUA's regulations regarding risk-based capital.

In December 2013, the NCUA Board approved Parts 703 and 721, Charitable Donation Accounts. Such a mechanism permits credit unions more flexibility to effectuate charitable intent and, in this low interest rate environment, the mechanism can help charitable organizations (i.e. National Credit Union Foundation) seeking steady streams of funding for their impactful activities.

We believe the following help balance the intent of credit unions to support charitable activities and the safety and soundness concerns that NCUA necessarily has in its role as regulator.

NCUA originally passed the CDA regulation "to clarify that federal credit unions are authorized to create and fund a charitable donation account, a hybrid charitable and investment vehicle, as an activity incidental to the business for which the credit union is chartered, provided the account is primarily charitable in nature and meets other regulatory conditions to ensure safety and soundness." (Federal Register, Vol. 78, No. 244, Thursday, December 19, 2013, page 76728). The parameters placed on CDAs effectively balance safety and soundness considerations with credit unions' charitable intent. Imposing risk-based capital limitations on such investments contravenes the appeal for credit unions to put money into these investments to fund charitable activities. Thus we ask that NCUA Board provide an exemption for CDA from the risk-based capital rule.

The OCC Risk-Based Capital regulation recognizes the importance of Community Development Investments and assign a risk weight of 100% rather than a 300% weight. The public policy embraced by the OCC is to encourage these investments to support charitable goals and purposes. We ask that NCUA consider assigning a risk weight of 100% for any equity or corporate bond exposure in a CDA investment. This would be similar policy to that of the OCC. This treatment for CDAs will support broader participation by credit unions with CDAs and enhance the goodwill and reputation of the credit union industry as it builds an investment resource to support charitable contributions.

Banks are permitted to apply a 100% percent risk weight to certain equity exposures deemed non-significant. Non-significant exposures means an equity exposure that does not exceed 10% of the bank's total capital. We request NCUA to adopt a similar treatment for credit unions. Thus, if the publicly traded equities and equity allocation within an investment fund (e.g., a CDA) are less than 10 % of a credit union's total capital, a risk weight of 100% shall be applied to this equity exposure. This would reduce the complexity of the look through approach and simplify the overall risk weight process for non-significant equity exposure.

Thank you for the opportunity to comment on the proposal.

Sincerely,

John A. Graham
President/CEO