April 24, 2015

The Honorable Debbie Matz, Chairman
The Honorable Richard Metsger, Vice Chairman
The Honorable J. Mark McWatters, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

Re: Revised risk-based capital rule

Dear Chairman Matz, Vice Chairman Metsger and Board Member McWatters,

On behalf of the Board of Directors and Employees of DuPage Credit Union, we would like to begin by thanking the Board for the prodigious amount of attention that was given to the comments submitted after the original proposal. From the changes made, it is clear that you carefully considered the thoughts of the industry and for that we are grateful.

While we believe that the new proposal is much improved from the original, we still have deep concerns as to whether a risk-based capital regulation is even needed in the credit union industry. It has been well established that credit unions were in no way responsible for the most recent economic collapse. As a result, it would seem that a rule created in response to that crisis should not be applied to the credit union system. To us, the implementation of a risk-based capital regulation resembles a solution in search of a problem.

We also have grave concerns about NCUA's plan to use the risk-based capital plan in conjunction with the current PCA capital calculation. Asking credit unions to manage their balance sheets to two separate capital ratios is not only unnecessary, but also unreasonable and burdensome.

In addition, we are also concerned about the concept of measuring risk-based capital and whether it can truly be done effectively. As you are well aware, the banking industry has already attempted to institute a risk-based capital system. Many of those involved in the process of creating this system have come to find that it is ineffective and are now questioning whether it should have been implemented at all. We believe that this sentiment is best summed up in the words of FDIC Vice Chairman Thomas Hoenig: "The poor record of Basel I, II and II.5 is that of a system fundamentally flawed. It turns out that Basel capital rules protected no one: not the banks, not the public and certainly not the FDIC. The complex Basel rules hurt, rather than helped the process of measurement and clarity of information." We can understand the desire of NCUA to adopt a system that is consistent with those created by bank regulators. However, we are concerned, not only that the risk-based capital system created by banking regulators did not work, but also that an attempt to create a regulatory measurement system that is comparable with that of the banking industry will further blur the line separating banks from credit unions. Our cooperative structure is the aspect that most distinctly differentiates us from banks and any regulation that further compromises that distinction weakens the industry itself.

Finally, our primary concern is, as always, with the financial well-being of our members and their ability to access the financial services they want and need. We are afraid that a risk-based capital system will force credit unions to limit the number and amount of specific loan products they disburse based on how the addition of those specific balances will affect their risk-based capital ratio. While this is one way to manage concentration risk, we don't believe it to be the best way. Each credit union and the members they serve are unique and a one-size-fits-all approach to measuring risk is not the most effective way to manage such an eclectic population.

We thank you for your time and consideration in this matter.

Diane M. Shelton
President/CEO