From:	Michael J. Hinchey
To:	_Regulatory Comments
Subject:	Proposed Risk Based Capital Rules Comment
Date:	Thursday, April 23, 2015 5:24:17 PM

April 23, 2015

To: NCUA Board

From: Michael J. Hinchey, President/CEO, Wepawaug-Flagg FCU

RE: Risk Based Capital Proposed Rules

I am writing you on behalf of the Directors and 8,300 members of Wepawaug-Flagg FCU. A Multi-SEG Connecticut based credit union serving Board of Education and Municipal employees in several cities and towns in New Haven County.
I believe the proposed rules are better than the rules proposed a year ago, however, I still see substantial room for improvement. The rules do not address the unique relationship we have with our members as a financial cooperative. We are naturally risk adverse and the strength of our credit union and the entire industry through the past seven years has provided a clear demonstration of this aversion to risk taking with our member's money. We were able to support our cooperative system with our own earnings through this historically bad economy. We did not rely on government bailouts and continued to serve and lend to our members. It makes me wonder, why "fix" what isn't broken.

While the proposed rule provides for Goodwill to be recognized in" Supervisory" mergers for a period of time, how does that differ from a proactive board of directors which decides to voluntarily merge their credit union while they are adequately capitalized? When we come to the aid of credit unions in distress (which we have twice) and merge with them, we provide the member services they might have otherwise lost, avoid disruption and build on their loyalty to our credit union. Accounting treatment may require the recording of Goodwill from the merger transaction. Generally Accepted Accounting Principles provide for continuing evaluation of Goodwill generated out of such mergers. The presumption of the RBC proposed rules is that the Goodwill is valueless. In my opinion the presumption is just wrong. The mere act of merging an institution into a strong viable one creates goodwill among the members of the merged credit union which should not be dismissed so easily. The proposed rule would make it substantially less likely that our credit union would be willing to enter into this type of merger in the future due to the negative impact this would have on our capital.

We, a SEG credit union and the credit union industry as a whole have demonstrated our ability to manage all types of risks. The burdening of the entire credit union industry for the mistakes and greed of the banking industry is a failure on the part of the regulatory agency to recognize the significant differences between credit unions and banks. Our credit union continued to make loans, add services and conduct business as usual through the past seven years. Our members used the credit union as a buffer against the harsh realities of 2008 and 2009. We did not initiate a single foreclosure in those years. The proposed rules look like an attempt to make the credit unions look like banks which is the exact opposite of what should be happening. Imposing the proposed risk based capital rules ("RBC")(that in some cases are more stringent than those applied to banks) is unreasonable. Our credit union has a substantial portfolio of junior lien mortgages that were and continue to be conservatively underwritten. Increasing the risk factor above 100% for having a higher portion of these loans when they make up more than 10% of the assets is an example of one of the items that will negatively impact our members. As an $80 million dollar credit union the burden placed upon us by new regulations is ever increasing. To the extent that the NCUA expands information gathering to properly assess risk, it is understandable. But the proposed rules are overreaching and do not consider the impact on credit unions our size which want to grow and serve larger segments of our community.

The blanket changes proposed harm our credit union by significantly impacting our ability to grow and to continue to serve our membership. As proposed, it would reduce our margin for well capitalized by $1.8 million, over 2% of our assets. We have more long term assets on our balance sheet now than we have had in prior years. We have established the policies and controls necessary to protect our members. We do extensive testing and stressing of our Balance Sheet and we believe the Asset risk ratings as proposed are disproportionally high and do not reflect the actual interest rate risk to our credit union when all factors are considered. We actively manage our growth and our Asset/Liability position to assure the membership has a safe and secure place to conduct their financial transactions.

Change is inevitable and in many cases necessary. Change for change sake is foolish. None of us would disassemble our car engine because we had a flat tire. Meaningful change should be the goal, not overburdening and excessive regulation.

In summary we ask that the treatment of Goodwill be revised, the asset risk ratings be lowered especially on junior lien mortgages and finally whatever rules are issued the length of time be extended to permit orderly implementation of the rules.

Thank you for the opportunity to comment on this proposed rule and for considering our views.

Michael J. Hinchey
President/CEO
Wepawaug-Flagg FCU
105 Sanford Street

Hamden, CT 06514
203-288-1695 x235
WWW.WFFCU.ORG