Thrivent Federal Credit Union℠

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April 24, 2015

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

Re: NCUA's Risk Based Capital Proposal, RIN 3133-AD77

Dear Mr. Poliquin:

Thrivent Federal Credit Union (TFCU) appreciates the opportunity to provide comments to the NCUA Board about the second proposed rule concerning risk-based capital. TFCU is approx. $500 million in assets and a 46,492 (as of Dec. 31, 2014) member federally insured Wisconsin credit union.

The NCUA Board is to be commended for responding to the input that it received from the initial proposal. The new proposed rule reflects considerable thought and constructive attention to many of the concerns that were expressed. However, we still have significant concerns related to the following items:

Risk-Weighted Assets & Concentration Thresholds

The rule still penalizes credit unions for specific activities such as real estate lending and member business lending. Higher risk weights are assessed based on the concentration of these assets despite the fact that loss history shows that the performance of the credit union loans is comparable to, and in the case of mortgages and commercial loans better than, the banks. Credit Unions would be required to hold incrementally more capital than banks given similar levels of asset concentration which would put credit unions at a competitive disadvantage. The following table illustrates several difference in risk weights (capital requirements) between banks and credit unions.

	Credit Union	Bank
1st lien residential real estate loans >35% of assets	75%	50%
Junior real estate loans > 20% of assets	150%	100%
Commercial loans > 50% of assets	150%	100% - 150%
Unfunded commercial loan commitments	50%/100%	20% -50%/100%
Unfunded real estate and consumer commitment	10% conversion factor	0% conversion factor if the commitment is unconditionally cancellable

Having risk-weights higher than what is required for banks would impact long-term growth strategies with products, services and potential mergers and our ability to serve our members.

We recommend NCUA eliminate the concentration risk thresholds for these asset classes and set the risk weights equal to those applied to the banking industry to remove the competitive disadvantage. Similar to interest rate risk, the evaluation of concentration risk is better suited to the examination process and not amenable to a one-size-fits-all approach that relies on risk weights.

In addition to the above, the risk weights for CUSO investments (150%) and mortgage servicing assets (250%) are too high and could affect a credit unions' ability to own and operate CUSOs and hold mortgage servicing assets.

Interest Rate Risk

While the weighted average life was not factored into the risk-weightings as in the first proposal, the NCUA is still focusing on IRR and is seeking alternative approaches that could be taken in the future to address IRR within PCA. The supplementary information accompanying the proposal indicates the NCUA is considering adding a separate IRR as a subcomponent of the RBC based on a comprehensive balance sheet measure, such as net economic value (NEV). We are concerned a new, independent IRR risk regulation will be implemented instead of dealing with IRR as part of the individual credit union examination process or as part of overall capital adequacy considerations. We believe the ALM requirements already in place are more than adequate and any additional rule would be unnecessary and unwarranted. IRR should not be incorporated into the risk-based capital system, or in any way grafted onto the Prompt Corrective Action system. NCUA already has an interest rate risk rule in place that provides adequate protection. The measurement and management of interest rate risk is more an art than a science. There is more than one way to evaluate interest rate risk, and electing just one in a fixed rule would unnecessarily restrain credit union risk-management. If NCUA feels additional interest rate risk steps are needed, they should be addressed in the regulatory, examination and supervision process.

Additional Capital Above the RBC Level

The new proposal adds a requirement that a covered credit union must maintain capital commensurate with the level and nature for all its risks and must have a process to determine its capital adequacy in light of its risk and a comprehensive written strategy to maintain "an appropriate level of capital". We are concerned about this provision because it would potentially subject credit unions to higher capital requirements than what a final RBC rule provides. This provision would invite examiners to continually demand additional capital and potentially subject credit unions to additional scrutiny regarding not only their capital levels but also how they plan capital strategies to balance risk. If NCUA examiners have concerns regarding the credit unions they supervise, those situations should be addressed on an individual basis and not through rulemaking that would apply universal requirements to all complex credit unions, regardless of how well managed they may be. We urge NCUA to delete the capital adequacy provisions from the RBC2 proposal.

Treatment of Goodwill

The retention of goodwill in the RBC numerator until 2025 is an improvement over the original proposal, however we believe all goodwill should be included in the numerator so long as it meets Generally Accepted Accounting Principles (GAAP) requirements, i.e., are subjected to annual goodwill impairment testing. The exclusion of non-supervisory goodwill from the numerator will discourage some well managed and well-capitalized credit unions from participating in mergers, and many mergers serve to benefit the members of both the surviving and non-surviving credit union. Mergers can also have a favorable influence on safety and soundness – producing institutions that in combination have stronger financials and are able to weather more extreme economic swings.

NCUA has made substantial improvements but still more needs to be done. Thank you for the opportunity to comment on this important proposed regulation. If you have any questions, please feel free to contact Christine Cousineau, COO/CFO (920) 628-4043.

Sincerely

Christine Cousineau

COO/CFO