Western Cooperative
CREDIT UNION

April 24, 2015

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street, Alexandria
Virginia 22314–3428

RE: Risk-Based Capital

Dear Mr. Poliquin,

Western Cooperative Credit Union appreciates the opportunity to comment to the National Credit Union Administration (NCUA) regarding the proposed amendments to Risk-Based Capital. Western Cooperative Credit Union is a $357 million community chartered credit union based in Western North Dakota. We have eight locations that serve the entire western side of the state. We were chartered as an agricultural credit union and continue to do a significant amount of MBL lending in the agricultural area.

We appreciate that you responded to the industry, made a number of changes, and issued the proposed rule for a second round of comments. We still have concerns with the second proposed rule. We do not feel that the proposed rule addressing RBC is necessary. We believe the current measure of capital has worked well over the years for the NCUA. Every credit union, as it pertains to their location, their management, their concentration of lending, their investments, their membership, their fee and rate structure is unique. Credit unions cannot be put into a "one size fits all" category. There are just too many variables and differences between credit unions. We feel that the NCUA is able to address capital requirements through the current examination process versus a completely new proposed regulation that does not take into consideration the specific components of each credit union.

The NCUA is excluding IRR from the risk-based capital ratio measure under this proposed rule, but in the future intends to consider alternative approaches for taking into account the IRR at credit unions. A rule was just issued in 2012 that required credit unions to address IRR. New proposals and rules regarding IRR are not necessary. Much time, effort, and expense was already put in by credit unions in complying with that rule. We wrote policies, adjusted our ALM methodology, addressed concentration components, and many other procedural functions under the 2012 rule. Another rule change will be expensive, time consuming, and probably does not address the issue any better than the current rule.

We are also concerned about how the proposed rule addresses and defines "complex" credit unions. As stated above, every credit union is different. Asset size alone does not clearly define a "complex" credit union. The balance sheet composition, lending practices, management experience, and many other components affect a credit union's complexity and risk.

In addition, a credit union defined as complex must have a comprehensive written strategy for maintaining an appropriate level of capital. This is concerning to WCCU because each individual examiner may have different opinions on the adequacy of the written plan. We have already experienced that in many other policy areas during our examination. Different examiners have varied opinions on our policy. The end result is constant revisions, rewrites, and board approvals for changes required by examiners. We feel that would also be the case regarding a comprehensive written strategy. There is no guidance in the rule as to what is required in the comprehensive written strategy. WCCU does not feel this plan is necessary if credit unions are writing policy, holding planning meetings, and documenting their strategies as many are already doing.

Another area of concern is the definition of a business loan. The new definition and threshold amounts are inconsistent with the current NCUA regulation that addresses business loans. This will result in confusion of those reviewing a credit union's portfolio. It could also cause inconsistencies in reporting on the financial statements and the 5300 Call Report. It would also result in more system changes, reporting requirement changes, and continued monitoring for two different regulations. WCCU prefers that the definitions for a business loan remain as currently addressed in regulation.

Western Cooperative Credit Union also feels the timeline of the implementation is not adequate. The proposed rule could result in required changes and strategic decisions for credit unions. It can take multiple years to restructure a financial component of a balance sheet. Requiring credit unions to do this in three to four years seems unrealistic.

We appreciate the opportunity to comment on the RBC proposed rule. We thank you for listening to the concerns expressed by credit unions on the first proposed rule and being willing to address those concerns with a second proposal. However, we ask that you seriously consider whether this rule is even necessary – the current process seems to be functioning just fine.

Thank you for this opportunity to share our thoughts and concerns.

Sincerely,

Melanie Stillwell

Melanie Stillwell, CEO/President
Board of Directors
Western Cooperative Credit Union