

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

**Re: Risk Based Capital Proposal**

**Date: April 23, 2015**

Dear Mr. Poliquin,

Central One Federal Credit Union greatly appreciates this second opportunity to opine on the newly proposed Risk Based Capital rule. We are a \$400 million community chartered Federal credit union serving approximately 30,000 members in Central Massachusetts.

First, Central One FCU is conceptually in agreement that credit unions certainly contain risk within their operations and must manage that risk appropriately. In addition, the regulator (NCUA) must ensure that all credit unions, actively and adequately, manage their risk in order to protect the industry from failures and loss of confidence in credit unions within the marketplace.

However, the credit union feels very strongly that under no circumstances should the credit union industry's *Risk Based Capital standard* be greater than the banking industry.

The credit union industry has weathered the storm of the most significant economic collapse in the last several generations. The performance of credit unions, nationally, during this economic upheaval, has been tremendous and unprecedented. Other financial services industries have not performed anywhere near as well as credit unions. This begs the question; why should credit unions be held to a higher standard than banks. This risk based capital computation would restrict growth opportunities and prevent credit unions from performing their fundamental mission of serving its members.

The risk ratings identified in Risk Based Capital II that specifically exceed the Basil III threshold and are objectionable for the reasons provided above, are as follows:

1<sup>st</sup> Mortgage Liens over 35% of assets.

RBC II – 75% versus Basil III - 50%

2<sup>nd</sup> Mortgage Liens over 20% of assets.

RBC II – 150% versus Basil III - 100%

### **NCUSIF Deposit**

On the numerator side (capital), the absence of the NCUSIF deposit from the capital base would harshly penalize credit unions for their cooperative structure. By eliminating the NCUSIF deposit from our capital, it is essentially being treated as an expense and no longer an asset of the credit union. Our NCUSIF deposit, held by the NCUA, theoretically is in the safest hands possible and should be added to the capital base.

### **Goodwill**

The credit union feels strongly that Goodwill should be included in the Risk Based Capital computation for all mergers.

Risk Based Capital II states that only Supervisory or Emergency mergers allow the goodwill to be included in the numerator of the RBC ratio. The credit union feels that it is unfair and inconsistent to include Goodwill for only NCUA initiated mergers. If it is correct for NCUA initiated mergers then it should be appropriate for all mergers. This rule is meant to measure and control risk. It is not meant to support the regulator in its goals and objectives.

Lastly, the credit union feels strongly that the implementation of, what very well may be, RBC III should allow us a minimum of 5 years to implement. This is critical because this rule applied, even if improved as suggested above, will take years for credit unions to adjust their balance sheets, strategies, and goals to comply with this new rule. The banking industry was provided a 5 year timeframe to comply with Basil III.

Additionally, the impact of the information expected to be inserted into the Call Report will be an extensive change and require much training and extraction of data in order to complete this already very complicated process for credit unions.

In summary, Central One FCU categorically disagrees with a rule of this nature as the industry's performance during the most difficult economic time in almost 100 years has proven the rule to be unnecessary. Additionally, it would be unfair and prejudiced to have a computation for credit unions that could in any way be a more restrictive rule than the Basil III computation.

Please accept this comment letter as a submission of thoughts, concerns and beliefs from a long standing, well managed, highly capitalized Federal credit union.

Thank you for your consideration.

Sincerely,

David A. L'Ecuyer  
President/CEO

CC: Roland Carlson  
Chairman of the Board of Directors