

From: [Aaron Wood](#)
To: [Regulatory Comments](#)
Subject: Aaron Wood -Comments on Proposed Rule: RiskBased Capital 2
Date: Monday, April 27, 2015 11:23:22 AM

Mr. Poliquin,

Before I begin; I would like to thank you for your time to review my comments. As for the proposed RBC2, it appears that this rule could have a negative effect on the credit union movement, and it needs to either be eliminated entirely or have more revisions.

First, I will leave the argument of whether the NCUA has the scope to implement a second capital rule to the lawmakers and legal people. However, it appears that many parties would say that it does not including one NCUA Board member and original writers of the Federal law.

Second, none of the risk weightings should be more stringent than what is required by banks. I can't see the justification of applying more stringent standards to credit unions unless there are concerns with underwriting of the CUs and/or the examination from examiners. I think the recent economic downturn shows that CUs were better prepared and did not take on as much undo risk like banks. I think the historical performance would justify lesser risk weightings and not higher.

Third, the threshold of RBC2 needs to be at a much higher asset level than \$100 million and the Complexity Index should play a role as well in determining what CUs will fall under the RBC2 requirements (if implemented) . This is the area that is most concerning for my credit union. As of today, we are below the \$100 million threshold, but we hope to reach that level in the not so distant future. For our CU, the most difficult part of growing is increasing capital to keep up with asset growth. CUs are already at a major disadvantage compared to banks; there is no need to add an extra layer of capital especially if the CU has a non-complex balance sheet like Sterling and I am assuming the majority of CUs.

As we continue to have all the new regulations and the cost associated with them, it is becoming clear that CUs will need to grow to maintain as their current entity. If the CU industry wants to keep the motto of People helping People, there needs to be CUs out there to help the people. The more regulations that are implemented; the more difficult it is on smaller CUs to be viable. The only way to be viable is to grow, and RBC2 makes no sense for CUs like Sterling that don't take on highly complex assets because it could hinder our growth. Coming from the banking industry, it was very frustrating to have the same guidelines imposed to my institution as a \$70 million bank as it was a \$1 Billion bank. NCUA needs to re-examine the asset threshold as I am assuming the balance sheets of \$100 million CUs is much different than CUs greater than \$500 million; one sized does not fit

all when it comes to regulation. If RBC2 is implemented, please raise the threshold to \$500 million and consider a minimum Complexity Index score.

Again, thank you for your time.

PLEASE NOTE MY EMAIL ADDRESS HAS SWITCHED TO: awood@sufcu.org

Sincerely,

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