

From: [Cathleen Ellis](#)
To: [Regulatory Comments](#)
Subject: Risk-Based Capital Comment
Date: Monday, April 27, 2015 4:26:41 PM

To: Regulatory Comments
From: Cathleen Ellis
Meijer Credit Union

04/27/2015

Dear Mr. Poliquin:

To: Mr. Gerard Poliquin

Dear Mr. Poliquin,

My passion for the credit union industry began over 30 years ago when I joined my first credit union as I started my career in internal auditing. Eight years later I was asked to be on my credit union's Supervisory Committee where I served for seventeen years before becoming a board member. I was then hired as our CFO and have been serving as our CEO for four years. I am writing as a member-owner and as a credit union CEO concerned about the negative impact RBC2 will have on our industry and ultimately on the lives of our members. We are a low-income designated credit union of 11,374 members and \$58 million in assets, successfully serving our members since 1958.

The credit union industry has always done well serving our members during times of prosperity and times of great financial stress – whether it be related to crisis in other industries (airlines, auto, gas), natural disasters (hurricanes, tornadoes, floods), or the Great Recession. We work together, committed to our cooperative principles and deliver products and services that are essential to our owners. At MCU we have worked hard over the past few years making necessary investments in the areas of human resources, technology, information security, and fulfilling the on-going costs of regulatory compliance. We are able to make these investments due to our well-capitalized position and having the support from key CUSO and other credit union industry partners. NAFCU recently published an estimate that credit unions will need to raise an additional \$760 million dollars in capital to achieve their current capital levels under RBC2. This will place a great burden on many credit unions making it difficult at best to make additional on-going investments in technology, information security, and fulfilling the on-going costs of regulatory compliance.

Areas of specific concern with the proposed capital requirement rule include:

- Placing a 150% risk weighting on CUSO investments when they clearly provide a significant cost savings to credit unions and the NCUA has failed to document that they present a significant risk to the industry.
- Too complex of rules for real estate loans (residential or MBL) requiring extensive programming updates to capture the data for NCUA 5300 reporting.
- Placing a 250% risk weighting on mortgage servicing rights seems nothing less than punitive for credit unions trying to provide a mortgage program for their members while managing their interest rate risk.
- Credit unions should be able to count their 1% deposit with NCUA as capital.

- The appeals process should include a hearing before a body independent of the NCUA.

Early in my career as an internal auditor, I learned that an effective auditor looked beyond the surface of any finding – digging deep to determine what the real cause of a finding was and evaluating what appropriate step(s) if any to take (e.g. additional staff training, follow established policies or procedures, or institute a missing control). I do not believe there is a need for this rule. Credit unions already must have in place appropriate policies and procedures to provide for the safety and soundness of their organization. The NCUA already has sufficient supervisory powers to regulate credit unions. The costs of instituting RBC2 should instead be used by NCUA to invest in appropriate training of their field staff.

I agree with the majority of comments already submitted to the NCUA regarding this rule. It goes too far and will limit our ability to serve our members. By our structure and charter, policies and procedures, and regulatory rules already in place we limit risk. We are not for profit but for service, and limiting our ability to help those who need it the most prevents us from fulfilling our duty to our member-owners.

Respectfully,



Cathleen Ellis
Meijer Credit Union