

From: [Chris Howard](#)
To: [Regulatory Comments](#)
Subject: Comment on the Second Proposed Rule on Risk-Based Capital
Date: Monday, April 27, 2015 4:46:50 PM

Dear Mr. Poliquin,

This is one in a series of 12 substantive blog posts addressing the second Risk-Based Capital proposal and published on CreditUnions.com over the past four weeks:

The comment period for RBC2 is about to close. Here are a couple more reasons you should comment.

1. A legal battle and years of uncertainty

The cooperative movement needs to understand the real importance of NCUA board member Mark McWatters' concerns about legality. When reasonable people can differ about whether a controversial rule is legal — especially one like this, that could have major financial and regulatory impact — the stage is set for lawsuits over permissibility that can take years to resolve.

In the interim, the rule — and the legitimacy of any NCUA enforcement measures — would be in limbo. Years of uncertainty would be even costlier and riskier to individual credit unions and the credit union movement than a quick decision either way. That alone is a strong reason for the NCUA to withdraw rule or revise it so as to ensure its legitimacy.

2. Cracks In The Cooperative Movement

Stephen Nelson of the Utah League is concerned that RBC2 has the potential to tear the credit union movement asunder. “If we raise the definition of small to \$100 million, then you’re either small or complex and there’s nothing in between. It gives the banks the ability to divide us.”

Some seem to wonder if that isn’t the point. In a response to my first blog in this series, former NCUA examiner Carolyn Warden asked, “Could the bankers’ associations think of a better way to rid themselves of competition from fairly priced financial services than implementing this RBC requirement? Why should they lobby Congress,” she goes on, “when NCUA is doing all this for them and against consumers?”

Good question. What do you think?

Speak out. Speak up. Call your friends. Call your neighbors. Call your colleagues and your members. Tell them you have sent a comment and ask them to do the same.

RBC2 may not be as important as protecting credit unions’ tax status, but it will help define how financial cooperatives are regulated; whether they will be operated for the benefit of their member-owners or at the whim of government bureaucrats. It is a bad idea, a solution in search of a problem, and an approach that cannot achieve a set of goals that NCUA should not be pursuing anyway.

Short, simple letters make a difference, contrary to some claims. If they point out just one of the myriad shortcomings of RBC2, they *are* substantive. The effort by some to suggest otherwise just shows how powerful such comments can be.

In Denver last week, McWatters himself urged credit union professionals to engage NCUA, and engagement opportunities don't come much bigger than this. As my colleague Chip Filson has written, "Others will be watching ... the credit union press, the Congress, the public — but most of all your peers" in the credit union community.

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