From: Hoang Nguyen
To: _Regulatory Comments
Subject: Hoang Nguyen - Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77
Date: Monday, April 27, 2015 9:29:55 AM

April 27, 2015

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

RE: Comments on Proposed Rule: Risk-Based Capital; RIN 3133-AD77

Dear Mr. Poliquin:

Thank you for considering the following comments on the National Credit Union Administration's ("NCUA") recent Risk-Based Capital proposed rule ("Proposed Rules"). I truly appreciate the NCUA's efforts to improve the original risk based capital rule. However, I believe the regulatory rules currently in place still safeguard both our members and the credit union industry. The following comments touch upon requirements within the Proposed Rule that place additional burden on credit unions while limiting the industry's growth.

Significant Under Estimation of the Regulatory Burden

The Proposed Rule's Paperwork Reduction Act estimates the additional data collection requirements for an estimated 1,455 complex credit unions to be a one-time 40 hour burden, or $1,276 cost per credit union. The Proposed Rule does not incorporate the estimated burden for establishing a comprehensive written strategy for maintaining an appropriate level of capital and other changes to the credit union's operations other than data collection. The effects of this proposal will be a much greater burden on complex credit unions upon the implementation year and for ongoing years. The NCUA's final rule on Capital Planning and Stress Testing estimated 750 hours of paperwork burden in the initial year and 250 hours in subsequent years .

Other than submitting a plan to the agency, it is unclear how the requirements of this proposal differ from the final rule on Capital Planning and Stress Testing. Using the cost estimate previously utilized by the NCUA, a more reasonable estimate (compared to zero) would be $23,926 per credit union or $34.8 million to the industry for the initial year of the final RBC rule. Additionally, there would be an ongoing annual cost of $7,975 per credit union or $11.6 million to the industry. Over a five year period, the cumulative cost to the industry would be approximately $81.2 million.

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Requirements for Capital Adequacy is Unclear

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The Proposed Rule requires that "complex" credit unions "must have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive written strategy for maintaining an appropriate level of capital" and "the nature of such capital adequacy assessments should be commensurate with the credit union's size, complexity, and risk-profile." The requirement for credit unions to have a comprehensive written strategy poses excessive regulatory burden to credit unions (see Significant Under Estimation of the Regulatory Burden discussed later in the letter) and the ruling is too vague. There are no clear guidelines and/or criterions of an NCUA's defined "comprehensive written strategy" for credit unions and NCUA examiners within the proposed regulation. This results in inconsistently applied requirements throughout the NCUA and its regions. Credit unions already have adequate capital adequacy policies, processes and procedures in place, therefore the NCUA should remove the requirement of a written strategy from the RBC rule. Furthermore, this proposed requirement appears to be a strong resemblance to the Capital Planning and Stress Testing rules issued last year for credit unions with assets of $10 billion or more.

Align Risk-Weights for Credit Unions Not Banks

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The revised RBC Rule from the original proposal has many positive changes, such as the removal of the cap for the allowance for loan losses and changes to real estate loans risk-weights. Nonetheless, many of the risk-weights within the proposed regulation continue to warrant further evaluation. The NCUA ignores the uniqueness of credit unions and how credit unions handled the effects of the recent economic downturns to its members. Credit unions are known for promoting and conducting responsible lending and managing its financial statements. The diversification and growth opportunities provided by the cooperative nature of credit unions provide a sustainable future the industry and members of credit unions.

I believe the existing Proposed Rule would place credit unions at a competitive disadvantage relative to banks. The NCUA's Proposed Rule mirrors bank's regulatory capital rule; which was created to conform the bank's capital structure. The credit union industry should not have to bear the stringent regulatory burden when, operating under current regulatory capital rules, the credit union industry has proven to be more financially stable than banks. I commend the NCUA for creating the Proposed Rule but believe the Proposed Rule should be modified to better fit the credit union industry. I truly appreciate your time and consideration of this letter and the comments above.

Sincerely,

Hoang Nguyen
Senior Financial Analyst
Digital Federal Credit Union