From:	Hal Osborn
To:	_Regulatory Comments
Subject:	Comment on Revised Risk Based Capital Rules
Date:	Monday, April 27, 2015 9:55:35 AM
Importance:	High

April 24, 2015

Mr. Gerard Poliquin
Secretary of the Board
National Credit Union Association
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Revised Risk Based Capital Rules

Dear Mr. Poliquiin:

On behalf of Connexus Credit Union I appreciate the opportunity to comment on the revised Regulation for Risk-Based Capital. Connexus Credit Union is a well capitalized state chartered federally insured credit union with over $1 billion in assets, serving over 150,000 members. While I would like to commend the NCUA for reviewing its initial proposal and making substantive changes, I believe the larger question is why is this proposed rule even necessary? There is already undue regulatory burden on credit unions, and the burden of this proposed rule is much more than the anticipated benefit.

My understanding is that the NCUA estimates this proposal will cost credit unions approximately $5.1 million to review the rulemaking and make changes to current policies. It is also projected that it will cost the agency $3.75 million to adjust the Call Report, update examination systems, and train staff to implement the proposed requirements. What I do not see estimated are the one-time costs that we will incur in system changes, additional reports, additional segregation and segmentation of the balance sheet, etc. in order to fill out the new call report. This will cost our credit union thousands of dollars in hard costs as well as significant hours of employee time. I believe wholeheartedly that these costs will far outweigh the costs that the NCUA has identified.

I also have an issue with the proposal to have a 150% risk-weight for CUSO's no matter what type of business is conducted by a particular CUSO. Although this 150% factor will not affect us as our CUSO is consolidated into our financial statements, it does seem arbitrary and punitive depending on what kind of service is provided by the CUSO. From my experience, CUSO's promote collaboration and risk sharing among credit unions and have been largely successful over the years. Another issue with the 150% risk-weight is that it is based upon the current value of the CUSO investment, which penalizes the growth and success of a CUSO. I urge you to bring the risk-weight in line with loans to CUSO's and only apply the risk-weight to the original investment in the CUSO.

Another concern is the deduction of the NCUSIF deposit from the risk-based capital numerator or the risk-based capital denominator. It seems this is an attempt to make the numerator similar to banks because they expense their insurance premiums as they pay them on a quarterly basis. The problem with this is that banks do not have a deposit held at the FDIC, and their quarterly premium is non-refundable. Since this deposit is under the NCUA's control, and is additional to the capital available in case of a failure, the risk to this asset is minimal, which supports the fact that the risk-weight should be zero.

And finally, given this proposed rule is a complete overhaul of the current credit union capital standards, I believe it is important for the agency to incorporate a supplemental capital provision into the regulation and put it out again for further public comment.

Even though this new proposal is better than the first, my belief that the proposed Risk Based Capital Rule does not fit the nature of credit unions and will have a detrimental impact on credit unions' ability to serve members has not changed. We have been a model of risk management in the U.S. financial system and it is no accident that fewer credit unions have failed throughout their history than any other type of financial institution. I urge the NCUA to abandon their efforts to create a risk-based capital rule that is not needed.

Sincerely,

J. David Christenson
President, CEO
CONNEXUS CREDIT UNION

CC: Congressman Sean Duffy
Senator Ron Johnson
Senator Tammy Baldwin