April 26, 2015

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

Re: NCUA's Risk Based Capital Proposal, RIN 3133-AD77

Dear Mr. Poliquin:

Thank you for the opportunity to respond to this proposal.

The NCUA board should abandon its effort to impose this Risk Based Capital proposal on a portion of US credit unions for the following reasons:

- The proposed RCB regulation is probably illegal because the Credit Union Act does not confer authority to the NCUA to create multiple classes of credit unions where the standards and methods of regulation differ for each class.
- The proposed regulation will impose additional record keeping requirements on the credit unions that must comply with it. This will restrict the growth of credit unions in two ways; a) It will divert resources credit unions use to serve their members to satisfying the demands by NCUA in an effort to protect the NCUSIF; and b) Smaller credit unions will purposefully limit growth in order to avoid crossing the threshold that would require compliance with this proposal, should it be put into effect, resulting in potentially reduced service to the communities where they are located.
- The credit union industry came through the last major recession in relatively good condition using the current system of defining and managing capital. Even when faced with declining revenues of lower returns from loans and investments most found ways to pay extra assessments to the NCUSIF and to the Temporary Corporate Credit Union Stabilization Fund because they were much better than "well capitalized" at the onset of the crisis. Many of the credit unions that became subject to prompt corrective action or seizure by NCUA lost their capital as a result of fraud that often went undetected during NCUA examinations.
- The NCUA already has sufficient tools to examine credit unions of all sizes to force compliance with existing regulations and guidelines in order to protect the NCUSIF. Examiners need to focus on improving the quality of examinations to root out fraud. Implementation of the proposed Risk Based will result in endless arguments about the appropriate weights for various classes of capital and will detract from the quality of examinations.

- Implementing Risk Based Capital will likely require significant increases in the size of the examination staff resulting in increased costs for training, salaries, benefits and travel required to successfully implement this proposal. Of course that will be paid for by increased assessments on federally insured credit unions even if many of those credit unions are not subject to RCB.
- The Risk Based Capital proposal is nothing more than a complex model that may be able to predict the past with near 100% accuracy. Based on the experience of the FDIC during the last crisis it probably won't be very effective for protecting the NCUSIF from problems resulting from future monetary crises and calamities.

For these reasons I respectfully request that the NCUA board scrap this proposal completely and quit wasting NCUA resources on its promotion.

Sincerely,

James E. Ramey

James E. Ramey
Board Member
BMIFCU