ELEVATIONS
CREDIT UNION

April 27, 2015

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

Re: Comments on Proposed Rule: Risk-Based Capital (2nd Proposal)

Dear Mr. Poliquin:

We appreciate the opportunity to comment on NCUA's second proposal for "Risk-based Capital". Elevations Credit Union ("Elevations") is located in Boulder, Colorado, and has over 100,000 members and $1.5 billion in assets. We strongly support a modernization of the industry's capital requirements, and believe the implementation of a well-designed risk-based capital system would be a significant and necessary evolution.

We greatly appreciate the significant enhancements made by the NCUA, in response to industry comments on the initial proposal. The changes dramatically improved the framework, and reflect well on NCUA's willingness to listen and refine. We support the vast majority of the second proposal, but have the following remaining concerns:

1. **We disagree with the proposal's attempts to address concentration risk, by increasing risk weightings on residential real estate loans and commercial loans once certain ownership thresholds are exceeded.** Regulatory requirements are already in place and are sufficient to address concentration risk. **We therefore advocate that the proposed tiering of risk weightings for mortgages and commercial business loans should be removed.** The NCUA should assign constant risk weightings to these assets, in a manner consistent with the approach utilized by banking regulators. The higher, tiered risk weightings for these loan types place credit unions at a competitive disadvantage relative to banks. There is no economic basis for the NCUA to take a divergent approach on this aspect.
2. **We disagree with the proposal's deduction of the NCUSIF Deposit from risk-based capital.** This inappropriately lowers a credit union's risk-based capital ratio, without adequate justification. Please note the following:
    a. A credit union's deposit in the NCUSIF is undeniably an asset under generally accepted accounting principles. And it's an asset that has significant value to a financial institution, in that it reflects the presence of federal deposit insurance. Note that this asset is not written down, when a troubled credit union is merged with another.
    b. This asset is not deducted from net worth in determining compliance with net worth requirements. It's therefore both illogical and inconsistent to deduct the value of the

asset from risk based capital when determining compliance with risk based capital requirements.

c. This asset would be refunded to a credit union if they withdrew from the fund and obtained private share insurance or converted to a bank. Note that this aspect provides a perverse and unintended incentive for a credit union to convert to a bank. **Rather than face the loss of this source of regulatory capital, a credit union could simply convert to a bank and retain its value. They could then utilize this capital to support additional lending within the communities they serve.**

3. **We believe the credit conversion factor for unfunded commitments which are unconditionally cancellable should be lowered from 10% to 0%.** This approach would be consistent with the approach taken by banking regulators. And it would provide credit unions with appropriate incentive to actively manage these exposures.

We appreciate your consideration of our comments.

Sincerely,

Michael Calcote

Michael Calcote
Chief Financial Officer

Cc: Commissioner Chris Myklebust, Division of Financial Services, Colorado
Mark Robey, SVP Regulatory Affairs, Mountain West Credit Union Association
Gerry Agnes, Chief Executive Officer, Elevations Credit Union