UnitedOne
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April 27, 2015

To: regcomments@ncua.gov

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

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

Dear Mr. Poliquin:

I'm writing on behalf of UnitedOne Credit Union (UOCU), which serves Manitowoc, Sheboygan, Kewaunee and Door counties in the State of Wisconsin. UOCU serves 20,000 members and has $184 million in assets. UnitedOne appreciates the opportunity to comment on the National Credit Union Administration's (NCUA's) second proposed Risk Based Capital rule (RBC2).

First of all, we want to thank the NCUA for considering credit union's concerns that were raised during the original RBC proposal (RBC1) in 2014. We provided our feedback then and are happy to provide our feedback again. Thanks for taking the time to read our comments and adjusting your proposal. We hope that cooperative spirit will continue, because RBC2 remains flawed, despite all of the positive changes and feedback consideration. Below are the comments that UOCU is asking the NCUA to consider in developing the final version of the Risk-Based Capital Rule.

UnitedOne Credit Union Comments:

RBC2 is Unnecessary

A key question is "Is RBC2 necessary?" The credit union industry came through the worst recession in history with few problems so the question needs to be asked, "Is it necessary to implement a proposal where most credit unions will see reduced buffers above being well capitalized?" Most credit union failures, including the Corporates, centered around high concentration levels that are part of the annual examination process. As opposed to implementing risk-based capital standards that appear to unfairly measure interest rate risk and concentration risk, should the NCUA consider better defining risk weights in combination with the need to improve examiner skills?

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Risk Weighting Concerns

Although there were a number of positive changes to RBC1's proposed risk weightings, additional improvements are needed.

- Current first lien residential mortgage loans over 35% of assets would have a risk weight of 75% for credit unions, higher than the 50% risk weight for banks.
- Junior residential real estate loans over 20% of assets would have a 150% risk weight for credit unions, but 100% for banks.
- Credit union commercial loans over 50% of assets would have a 150% risk weight for credit unions, but 100% for banks.
- Mortgage servicing rights risk weight of 250%, which is the same as banks and unchanged from RBC1, is too high and should be lowered.
- Publicly traded equity investments risk weights of 300% seem excessive and will limit our potential to invest for employee benefit funding.

UOCU also endorses CUNA's recommendations concerning the Mortgage Partnership Finance (MPF) Program. To quote CUNA's recent RBC2 comment letter:

> As proposed, the definition could be construed as limiting the benefits of the risk based capital treatment only to those credit unions that service their MPF loans, but not those that choose to sell the loans servicing-released. Whether or not credit unions service their mortgage loans does not alter their credit enhancement obligation in any way. We urge NCUA to remove the words, "and servicing them" from the definition of the MPF Program. We also recommend adding language to clarify that the definition of the MPF Program does not apply to the Mortgage Purchase Program (MPP), a secondary market alternative offered by certain Federal Home Loan Banks that achieves credit enhancement by creating a contingent asset for the credit union participant, in contrast to the contingent liability obligation created under the MPF Program. Since the purpose of the risk based capital requirements for off-balance sheet activities is to ensure credit unions hold capital against recourse risk, and MPP loans do not have such risk, MPP loans should fall outside of the definition of the MPF Program.

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Complex Credit Unions

RBC2 adjusted the asset size threshold for a credit union to be considered "complex" form $50 million under RBC1 to $100 million. We believe that this is still too low and don't believe asset size is the only threshold needed to determine complexity. CUNA is recommending that the NCUA increase the proposed $100 million threshold to $500 million (indexed for inflation) and that the threshold be used in combination with the actual operational complexity as measured by the agency's Complexity Index. We stand behind that recommendation and believe it to be a more accurate measure of complexity versus just an asset size.

Implementation Date

Thank you for proposing a delay in implementation of RBC2, but we encourage the agency to delay implementation even further – until 2021 – to coincide with the termination of the corporate stabilization fund. With the refund our credit union should receive, that will allow us to increase our capital level in order to comply with RBC2.

Separate Interest Rate Risk Rule

The NCUA has asked for commenters' input about potential future rulemaking on interest rate risk (IRR). UOCU strongly discourages any additional ruling for IRR at this time. There have been a lot of rules and letters addressing IRR and we believe those to be sufficient to guide credit union and examiners on IRR concerns.

If the NCUA is insistent on new IRR rulings, then I agree with CUNA's proposal to form an advisory group consisting of a broad cross-section of credit unions.

Thank you for the opportunity to comment on this proposed rule and for considering our views on risk based capital requirements.

Sincerely,

Michelle McClelland

Michelle McClelland
Chief Financial Officer

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