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Credit Union

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April 18, 2015

NCUA
Gerard Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, Virginia 22314

To Whom It May Concern:

Please accept this correspondence as comment on the recently proposed Risk-Based Capital Rule.

Sadly, there will be collateral damage for your proposed action. There always is for the critical mass when action is taken to deter the habits of a few. We would ask that you reassess the potential collateral damage to LICU, CDFI financial institutions. Those of us in the trenches, pedaling fast every day to serve the least of us cannot be penalized by unfair weighting of delinquency for making borderline loans. That's one of the key roles to our existence.

As mentioned, we are concerned with this weighting. As a LICU/ CDFI, our loan portfolio is primarily made up of non-prime and sub-prime loans. As a result, the propensity for our portfolio to experience a higher delinquency is much greater. We ask for an understanding of the inherent likelihood of higher delinquency given the risks of a population that have very little monthly cash flows and even less in "for emergency" assets. To penalize us for serving a historically disenfranchised and marginalized population seems to fly in the face of why LICU/CDFIs received the designations to begin with.

The LICU/CDFI credit union is the perfect business model to improve the socio-economic well-being of historically underserved communities. The proposed action purports to force credit union leadership to return less earnings to the market place in order to compensate for the higher delinquency.

When I read that credit unions have relatively few CAMEL scores 3-4-5, and have improved dramatically in recent times, I question why potentially more stringent regulatory practices are considered. Did our credit union movement not just survive the worst recessionary period in our country's history? Didn't we just emerge with similar capital levels to those that preceded the economic stagnation of the past six years? We are apparently prudent enough to survive what many businesses were not able to do.

Interestingly, I am of the camp that believes that our credit union movement will not be destroyed because of insolvency. Irrelevancy will be our menace. We will have millions of dollars in capital at the expense of innovation, expansion, product development and market share. Too much capital has a negative impact on one's existence. God forbid that our legacy will be "the strongest industry that no longer exists." If your goal is to have a handful of giant credit unions, you are on the right path.

I would be willing to bet that nowhere to date (within the NCUA hierarchy) has discussion ensued regarding the impact on LICU/CDFI credit unions and our ability to serve the underserved. We seem to be championed publicly and dismembered privately. Something to think about.

Sincerely,

Patrick K. Adams
CEO