



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

Re: Comment on the Proposed Corrective Action – Risk Based Capital Regulation

27 April 2015

Dear Mr. Poliquin,

Thank you for the opportunity to respond to the second, proposed risk based capital regulation. Aventa Credit Union (Aventa) is a Colorado state-chartered, federally insured \$150+ million credit union.

The second, proposed risk based capital regulation while different than the first rule proposal is still contains flaws. Most rules promulgated by NCUA and other regulatory bodies emphasize that rules and regulations should provide a framework, generally, and that the application is dependent upon each financial institution's individual framework and risk profile. No two financial institutions are identical and a one-size fits all approach is dangerous and bound to wreak havoc on an already volatile financial environment. Each credit union has a unique risk profile and strategy and regulations should, and generally do, recognize this fact.

Aventa's first concern is in regard to which credit unions will be subjected to this new rule proposal. The Federal Credit Union Act directs NCUA to base its definition of "complex" credit unions "on the portfolios of assets and liabilities of credit unions." Under the current rule, credit unions are considered to be "complex" and subject to the risk-based net worth requirement if they have total assets at quarter-end that exceed \$50 million and they have a risk based net worth that exceeds 6%. The new proposal defines "complex" using the single asset size threshold of \$100 million. Instead of utilizing the definition that is already in place and makes sense, as it takes into account what a credit union actually has in its portfolio, NCUA instead proposes a single standard that would remove asset and liability analysis as well as remove common sense. It is already difficult for credit unions and their examiners to piece together which rules apply to which credit unions (Aventa has been subjected to rules that according to the plain language of the regulation should only apply to federal credit unions) and this change will make it even more difficult. While Aventa normally applauds simplifying rules, this simplification goes too far.

An important point that Aventa thinks is missing from the regulation, as proposed, is the fact that it is important to know how much net worth a credit union has remaining after negative things occur. Aventa simulates various scenarios in order to take into account Aventa's unique risks based on assets, liabilities, rising rate environments, challenging lending environments to name a few. Suffice to say, Aventa attempts to have the best and deepest understanding possible of our unique risks, particularly interest rate risk. Standardizing assumptions or approaches would remove the approach Aventa and other risk-adverse credit unions take and may not appropriately capture risk for Aventa. The interest rate risk standards that the regulation states "...should be based on a comprehensive balance sheet measure..." with which Aventa agrees.





However, each balance sheet at every individual credit union is unlike that of another, and therefore, impossible to standardize. Interest rate risk takes into account many interdependent elements that are ultimately unique in nature to each credit union and should not be subjected to quantification in regulation to create standardization.

Credit unions are already severely restricted on how they can invest, more risky investments cannot be undertaken by a credit union. 12 CFR 703.14 clearly delineates the limited types of permissible investments a credit union can make. 12 CFR 703.16 goes so far as to enumerate investments that a credit union is prohibited from making. Aventa is not arguing the merits of these sections of NCUA regulations, but emphasizing the limited risks credit unions can take when it comes to investing. This is important due to the fact that banks are not restricted in these areas and are allowed to take on far more risk. Putting banks and credit unions on equal ground, in theory, makes sense, but since banks and credit unions are treated so differently in terms of risks that each can take - does it make sense to treat credit unions and banks the same? Aventa does not have an answer to that question, but thinks an increased capital requirement challenges the survival of 'smaller' complex credit unions like Aventa.

The final concern Aventa has with the proposed regulation is in regard to CUSOs. The new proposal reduces the investment risk-weighting and accounts for the CUSOs consolidated into a credit union's books, it continues to assign different risk-weights to investments in CUSOs and loans to CUSOs. Aventa still thinks that there should be only one risk-weight for CUSO activity and that it should not exceed 100 percent. NCUA retained different treatments for investments in CUSOs and loans to CUSOs because they are treated differently in the event of liquidation or bankruptcy. While NCUA lowered the risk-weight for investments in CUSOs, the proposed 150 percent risk weight still fails to consider the different types of services provided by a given CUSO. How could an investment in a CUSO engaged in low-risk activities like providing clerical assistance be assigned the same risk-weight as an investment in a CUSO engaged in mortgage or commercial loan underwriting or a CUSO providing core processor services? Despite being lowered, the proposed 150 percent risk-weight could still be improved to assess a more meaningful risk distinction between the risks various types of CUSOs pose. NCUA already restricts federal credit unions to only invest up to 1 percent of assets in CUSOs, in the aggregate, an argument could be made that credit union's investments in CUSOs should be considered insignificant for the sake of the NCUA's capital rules and be weighted at 100 percent.

Thank you for the opportunity to respond to the proposed regulation and thank you for taking the time to read and take into account Aventa's concerns with the proposal, as written.

A handwritten signature in blue ink, appearing to read "Sarah Henderson".

Sarah Henderson, CFO & SVP Accounting

A handwritten signature in black ink, appearing to read "Jennifer M. Williams".

Jennifer M. Williams, General Counsel

