From:	Scott Patterson
To:	_Regulatory Comments
Cc:	Scott Patterson
Subject:	RBC2 Comment for NCUA review and public record
Date:	Monday, April 27, 2015 4:00:24 PM

To: NCUA Regulatory Comments
ATTN: Mr. Gerard Poliquin, Secretary, NCUA Board
From: Scott Patterson, President/CEO, CU Student Choice
Subject: Comment on Proposed RBC v2 Rule

04/27/2015

Dear Mr. Poliquin:

Thank you for the opportunity to comment on the "new" RBC v2 proposal. Unfortunately, I see little improvement to the significant flaws that were present in the earlier RBC v1 proposal. RBC v2 continues to create, rather than mitigate, substantial risks to the long-term effectiveness of the cooperative credit union movement. Over time, I firmly believe that these RBC proposals will hinder credit union decision-making and service innovation, leading to the demise of the very purpose for which credit unions were created – to create value for member owners.

It is important to note that capital rules like NCUA's RBC proposals have not worked in the past and have proven to be more harmful than beneficial. They will simply add additional bureaucracy and regulatory burden, hampering the ability of credit unions to provide their members with high-quality services, low interest rates, and greater dividends.

One need only review FDIC Vice Chairman Hoenig's recent critical comments on risk-weighting (Basel) and how the simple leverage ratio is far more appropriate for sustained system health (https://www.fdic.gov/about/learn/board/hoenig/capital.html). However, instead of learning from the multiple failed Basel experiments and leading the way forward with a common-sense approach to capital rule (improved leverage ratio), NCUA appears to be following banking regulators into this regulatory abyss, one from which FDIC is now trying to climb out.

In the case of RBC v2, the risk weightings themselves are arbitrary at-best, and will ultimately serve to force credit unions into a one-size-fits-all business model. One-size-fits-all is not a source of system strength (in any industry) and can even create significant system-wide challenges through lack of business diversification. Most troubling, this model discourages innovative efforts to meet the continually evolving service and credit needs of members and communities.

Lastly, as the leader of a multi-owned CUSO, I remain very troubled that RBC v2 continues to impose a 150% risk rating on similar CUSO investments. CUSOs are critical investments that create CU-controlled capabilities within our cooperative system – often at substantial cost savings to thousands of credit unions. Assigning an unjustifiably high risk weighting to these multi-credit union owned CUSOs is not reflective of the actual systemic risk posed by CUSOs, and serves to discourage new CUSO investment and innovation.

As a consequence, I cannot support either of the RBC proposals put forward and I respectfully request that the NCUA withdraw these harmful approaches to capital regulation.

Sincerely,

Scott Patterson
President/CEO
CU Student Choice Partners (CUSO)