



April 25, 2015

Mr. Gerard Poliquin  
Secretary to the NCUA Board  
1775 Duke Street  
Alexandria, VA 22314

Dear Mr. Poliquin,

I am writing on behalf of PrimeWay FCU regarding the second Risk Based Capital proposed regulation. PrimeWay fundamentally agrees that capital requirements must consider the risks credit unions assume on their balance sheets when making day-to-day operating decisions and that creating a rule that applies to all carries inherent challenges. PrimeWay is also very appreciative that the NCUA listened to, and heard, concerns about the first proposal. However we do have some significant concerns regarding this second proposal as written. Suggestions for improvement are addressed below for your consideration.

#### Goodwill

Subtracting Goodwill from the numerator penalizes credit unions who have recently gone through a merger. The capital level and earnings capacity of these balance sheets have already been impacted by the assumption of what are most often struggling or troubled organizations. Additionally, these transactions assisted the NCUA and the industry by preventing potential losses to the fund.

Furthermore, this numerator reduction will also become a consideration for future merger decisions. Merging credit unions carefully evaluate merger opportunities. Some become very good at the process and it is part of a business plan that makes them successful. These mergers impact the operation effectiveness and financial condition negatively at first. It is the creation of a careful plan stemming from the passion to create a better organization over time is what makes this work. The addition of a negative consequence makes this a less attractive option. Maybe the NCUA will have to run more credit unions for a while which is not their primary business, or other terms or assurances will need to be offered to make the business decision equally attractive. Any alternative to a willing credit union merging a troubled organization into it will be less advantageous to the industry as a whole.

### Risk Weights

I am going to be specific here as PrimeWay FCU has a great example. However this is a general statement that the risk weights assigned may not represent the actual risk of the asset or transaction. The level of due diligence exercised at the time of the transaction and the structuring of the asset creates the level of risk.

PrimeWay FCU owns \$15 million of SERP / BOLI investments. These fall under the categories on the NCUA calculator as "Separate Account Insurance" and "Fair value of mutual funds not compliant with Part 703", both assigned a risk weight of 300%. PrimeWay exercised cautious due diligence in the execution of these decisions and partnered with reputable providers. Our Separate Account Insurance is only with top quality providers whose ratings and performance are closely monitored. The Mutual Funds on our balance sheet are all very safe and carry little to no risk. PrimeWay also carefully evaluated the liquidity risk which is very low. However liquidity risk should not be a consideration as RBC2 removed the component of Interest Rate Risk.

This 300% categorization does not represent the risk associated with these assets.

### CUSOs

The proposal sets a risk weight of 150% for CUSO investments and 100% for loans. A CUSO investment should be weighted the same as a loan to a CUSO to more accurately reflect the risk involved with investing in a CUSO. Many CUSOs are seasoned successful operations. An investment in a start-up or an organization with challenges carries a drastically different level of risk than a successful mature company. These differences are better managed by the examination process based on specific supportable attributes, than a system-wide application treating all the same.

PrimeWay FCU appreciates the NCUA affording us the opportunity to express some concerns about the rule. We respectfully urge the NCUA to consider our points as recommended improvements to the proposal.

Sincerely,



T. Scott Kreinbring, E.V.P. - C.F.O.  
PrimeWay FCU  
Houston, Texas