



April 8, 2015

580 N. Main Street  
Post Office Box 209  
Frankenmuth, Michigan 48734

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

(989) 497-1600  
Fax (989) 497-1659

Re: Comment to the Second Proposed Prompt Corrective Action – Risk Based Capital (RBC) Regulation

Mission Statement

Growing trusted relationships  
by providing personalized  
financial solutions

Dear Mr. Poliquin:

I am writing to you as the CEO of Frankenmuth Credit Union in Frankenmuth, Michigan to express my concern about the amendments proposed by the NCUA to the Risk Based Capital Rule. I am also writing as a board member of Neighborhood Mortgage Solutions, a Credit Union Service Organization.

Office Locations

Frankenmuth  
Birch Run  
Essexville  
Freeland  
Millington  
Otisville  
Reese  
Richville  
Saginaw  
Vassar

While it was appreciated that changes were made to the initial proposal, the amended changes are not good for the following reasons: (1) Capital rules have historically not worked and have not provided intended protections, yet they increase our operational costs, including a heavy compliance burden. (2) The new rule treats credit unions and banks the same, even though credit unions are not-for-profit, member owned cooperatives. (3) This rule will change the way that the credit union industry makes decisions about loans granted, investments made, fee structures and the ability to help our members.

A major concern for our credit union is the high risk rating for CUSO investments and mortgage servicing rights. We do not want this rule to affect our ability to own CUSOs and hold mortgage services rights. The risk weights in these areas are too high and need to be lowered. NCUA should be encouraging collaborative CUSO investment, not discouraging it with unjustifiable risk rating.

[www.frankenmuthcu.org](http://www.frankenmuthcu.org)

There is also the issue of the effect this rule will have on fast growing credit unions. Our credit union board and management team are making numerous decisions about the composition of our balance sheet and capital adequacy



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based on the needs of our unique membership and local community. These factors do not just take into consideration the asset type, but include the reasons for our charter to begin with, corresponding funding from liabilities, and unique economic needs of the communities they serve. These thousands of local decisions are driven by diverse business priorities, pricing and growth objectives as well as responses to unique local needs. We believe our decisions have resulted in varied portfolio strategies which enhance the balance sheet's overall soundness rather than a single approach nationwide to risk management. RBC2 puts that at risk.

Thank you for the opportunity to comment on this proposed rule. I hope that you will take my comments, as well of the comments of many others, into consideration. This rule will have a significant impact on the credit union industry and movement for many years to come.

Best Regards,

Vickie Schmitzer, CEO  
Frankenmuth Credit Union  
(989) 497-1633

